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Paris fintech meet returns to disrupting

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The Group Securities uses Vodafone Qatar's business solutions


Qatar Insurance Group chairman and managing director Sheikh Khalid bin Mohamed bin Ali al-Thani.


Group president and CEO Khalifa Abdulla Turki al-Subaey.

The QIC headquarters in West Bay. QIC is on track to become a Global Top 50 Insurance Group.

QIC's net profit surges 57% to reach QR664mn in 2018

Qatar Insurance Group has recorded a substantive net profit growth in 2018, amounting to QR664mn, or a 57% increase, compared to the previous year, it was announced yesterday in a board meeting presided over by chairman and managing director Sheikh Khalid bin Mohamed bin Ali al-Thani.

QIC Group, being a diversified insurance group with international presence, recorded Gross Written Premiums (GWP) of QR12.6bn in 2018, an 8% increase compared to 2017, despite an adverse backdrop.

Weathering heightened global market volatility and tightening monetary policy conditions, QIC's investment and other income amounted to QR863mn in 2018, which demonstrates the group's substantial capacity to successfully deal with a crisis.

The group's net underwriting income steeply increased to QR576mn against QR115mn in 2017, the third quarter of which saw a devastating series of major hurricanes (Harvey, Irma, and Maria). QIC diligently applied its recently-adopted strengthened reserving governance and philosophy, resulting in a more cautious view of ultimate loss projections and making it less vulnerable to market fluctuations.

The group continues to expand the low-volatility business, which represents a considerable portion of its total portfolio. The group's international operations, namely Antares, Qatar Re, and QIC Europe Limited (QEL) remained the key growth engines and represented 77% of total gross written premiums, while the local and regional markets represent 23%.

Qatar Insurance Group's acquisition of Markerstudy Group's Gibraltar-based insurance companies by its subsidiary Qatar Re is another milestone in QIC's shift towards low volatility business and on its journey towards becoming a Global Top 50 Insurance Group.

QIC Group's domestic and Mena (Middle East and North Africa) operations growth remained stable, while the company's life and medical insurance subsidiary, QLM, headquartered in Doha; and OQIC, the group's listed subsidiary in Oman, continued to expand. Further impetus for growth arose from the ongoing digitalisation of the group's Mena retail pillar.

Group president and CEO Khalifa Abdulla Turki al-Subaey said, "The results reflect the high level flexibility and demonstrate the sturdy solvency of the group despite the extreme pressures in the market. The group has proved its leading and influencing position in the Mena region, while continuing its march towards strengthening its position in the global markets and achieving the best operational efficiency."

He added, "The group contributes about QR10bn annually to the Qatari economy as few companies do so. Qatar Insurance Group has a significant role in maintaining the stability and support of the Qatari economy, and directly contributes to reinforce the efficiency of this economy through its operations. When talking about its business, we should state its local and international business since the group has affirmed, over more than 50 years, its efficiency and demonstrated its financial strength.

"We will continue to promote and reach our target that QIC becomes one of the major 50 insurance companies in the world. In this context, we will strive to achieve the sustainable growth and profits through our excellence in insurance and investment sector, in addition to controlling costs and reducing administrative expenses."

One of Qatar Insurance Group's most notable successes in 2018 is that Qatar Re has been ranked 27th amongst the global top 50 reinsurers, up from rank No 35 in 2016, according to international credit rating agency A M Best.

This reflects the strength of the company's capital and the diversity of its portfolio, serving the global reinsurance markets, as the total GWP of Qatar Re in 2017 was QR5.9bn. Qatar Re shareholders' total equity as of December 31, 2018 stood at QR4bn.

For the global insurance industry, 2018 was a challenging year. Insurers and reinsurers had to digest catastrophe losses of close to $80bn. Further challenges beyond control were the vagaries of global re/insurance loss and pricing cycles, geopolitical situation in the Middle East, intensification of political volatility, the negative effects on the investment environment, and the decline in international trade and the volatility of commodity prices (including oil and gas).

"The primary objective of the group is to enhance return on the stock and to contribute effectively to the growth of the Qatari economy along with ensuring that the company's growth continues at a steady pace and complies with the Qatar National Vision 2030 under the wise leadership of His Highness the Amir, Sheikh Tamim bin Hamad al-Thani," al-Subaey said.

Sheikh Khalid inaugurates QIIB's new branch at Ezdan Mall-Al Wakrah

QIIB's new branch was inaugurated at Ezdan Mall-Al Wakrah by bank chairman and managing director Sheikh Dr Khalid bin Thani bin Abdullah al-Thani yesterday. Qatari entrepreneurs, QIIB board members and chief executive officer Dr Abdulbasit Ahmad al-Shaibei were among the dignitaries present.

Following the ribbon cutting, which marked the official launch of operations at the QIIB's branch, Sheikh Dr Khalid toured the branch, where he was briefed on the state-of-the-art facilities that complement the comprehensive services being offered by QIIB.

He stressed the importance of working towards providing the best services to customers, meeting their expectations and aspirations for distinguished banking services in line with the good reputation QIIB has earned among various segments of its rapidly growing customer base.

The new branch is located on the ground floor of Ezdan Mall, at the entrance of Gate 4. The branch can be easily identified as it is located at a vantage point at Ezdan Mall-Al Wakrah, which has expanded the shopping options at Al Wakrah, a city that is growing fast with population, both citizens and expatriates.

On the occasion of launching QIIB's new branch, Dr al-Shaibei stated, "It is a new milestone that reflects our expansion strategy in the local market. In this respect, we continue to focus on opening new branches at commercial malls across the nation as a natural response to the urban development and customer needs."

Sheikh Dr Khalid, QIIB board members and prominent Qatari entrepreneurs among other dignitaries at QIIB's new branch at Ezdan Mall-Al Wakrah yesterday.

The CEO noted that "QIIB has invested heavily in developing its alternative channels, namely mobile banking, telebanking, online banking, call centre and the ATMs network, which are technologically upgraded on a constant basis.

"Our customers have positively responded to this development and the ease with which they can execute banking transactions at their convenience. We will continue to adopt any development in the banking sector for the purpose of enhancing our competitiveness and serving our customers more efficiently."

Dr al-Shaibei said, "The staff chosen to work at the new branch at Ezdan Mall-Al Wakrah are highly qualified and experienced as is the case with our staff in other branches. We promise our customers that the staff, who will serve them, will be able to meet their needs according to the best banking practices and standards benchmarked in the banking sector."

QIIB's branch at Ezdan Mall-Al Wakrah functions from Saturday to Thursday, in two shifts; the morning shift is from 9am to 2-30pm and the evening shift from 3-30pm to 9pm.

On Fridays, the branch will operate from 4pm to 9pm.

QIIB remains 'optimistic' about 2019 as market looks 'promising': Al-Shaibei

By Pratap John
Chief Business Reporter

QIIB is optimistic of achieving the targeted growth this year as the "market looks promising", said bank chief executive officer Dr Abdulbasit Ahmad al-Shaibei.

"Qatar's fundamentals are very strong; the country's budget for 2019 is very promising. We are very optimistic about 2019," al-Shaibei told *Gulf Times* yesterday.

With expenditure estimated at QR206.7bn, the budget has an outlay of QR48bn for new projects this year, according to the Ministry of Finance.

The new projects will boost economic growth in the country, especially in non-oil sectors.

The portfolio set for the committed projects is worth QR421bn.

On QIIB's 2018 financial results, the CEO said, "Most of the earnings came from our core business-large corporates, small business and retail."

QIIB posted a net profit of QR882.1mn in 2018, up 6% on the previous year.

The bank's total assets amounted to QR50.3bn in end-2018 compared to QR46.6bn in end-2017.

Customer deposits at the end of 2018 reached QR31.1bn. The bank total equity stood at QR6.8bn while the capital adequacy under Basel III registered 16.42%, which reflects the strength of QIIB's financial position amid various risks.


Al-Shaibei: Qatar's fundamentals are very strong.
PICTURE: Ram Chand

"The market in 2019 is promising. We believe we will reach the target the board has set for the bank," Dr al-Shaibei said.

He said QIIB would continue to focus on opportunities to finance infrastructure projects – be it financing extended to main contractors directly or to sub-contractors. On the mismatch normally seen between bank deposits and loans, al-Shaibei said, "It is always there in banking. Banks always try to overcome that mismatch by issuing conventional bonds or sukuk. These are meant to narrow the gap."

Asked whether QIIB planned to foray into more overseas markets, he said, "Morocco was a new experience to us. So we will wait until our joint venture bank, Umnia progresses well there."

Umnia Bank, which is a joint venture among QIIB, Credit immobilier et hotelier (CIH) and the Moroccan Deposit and Management Fund.

Besides its headquarters in Casablanca, Umnia Bank has rolled out many branches in various Moroccan cities.

On QIIB's new branch at Ezdan Mall in Al Wakrah, he said, "This is our 19th branch in our nationwide network.

"It is a new milestone that reflects our expansion strategy in the local market. In this respect, we continue to focus on opening new branches at commercial malls across the nation as a natural response to the urban development and customer needs."

"Today we are present at several commercial malls, namely, The Mall of Qatar, Doha Festival City, City Center, Ezdan Mall-Al Gharafa, and The Mall at Hilal. The inauguration of QIIB's branch at Ezdan Mall-Al Wakrah adds value to the quality of our nation-wide branch network."

Dr al-Shaibei pointed out that QIIB's nationwide branch network has seen a restructuring over the last few years as part of a development strategy.

"At the same time we are at the forefront of innovation and adaptation of modern technology in delivering banking products and services to our valuable clients. The development of alternate channels, which are considered as virtual branches, enable our customers to execute the majority of banking transactions without the need to actually visit the Bank's branches," he added.

The great oil paradox: Too many good crudes, not enough bad ones

Bloomberg
London

The shale boom has created a world awash with crude, putting a lid on prices and markedly reducing US dependence on imported energy. But there's a growing problem: America is producing the wrong kind of oil.

Texas and other shale-rich states are spewing a gusher of high-quality crude – light-sweet in the industry parlance – feeding a growing glut that's bending the global oil industry out of shape.

Refiners who invested billions to turn a profit from processing cheap low-quality crude are paying unheard of premiums to find the heavy-sour grades they need. The mismatch is better news for Opec producers like Iraq, who don't produce much light-sweet, but pump plenty of the dirtier stuff.

The crisis is Venezuela, together with Opec output cuts, will exacerbate the mismatch. The South American producer exports some of the world's heaviest oil and Trump administration sanctions announced last week will make processing and exporting crude far more difficult.

American refiners are scrambling for alternative supplies at very short notice. "We still have some holes in our supply plan" over the next 30 days, Gary Simmons, a senior executive at Valero Energy Corp, the largest refiner in the US, told investors on Thursday. "We are not taking anything from Venezuela."

Crude isn't the same everywhere: the kind pumped from the shale wells of West Texas resembles cooking oil – thin and easy to refine. In Venezuela's Orinoco region, it looks more like marmalade, thick and hard to process. Density isn't the only difference – the sulphur content is also important, dividing the market into sweet and sour crude. Heavy crude tends to have more sulphur than light crude.

As Saudi Arabia, Russia and Canada cut production, and American sanctions force Venezuelan and Iranian exports lower, the market for low-quality crude is feeling the impact. "The strength in the physical crude market continues, led by sour crude shortages," Amrita Sen, chief oil analyst at consultant Energy Aspects Ltd in London, said echoing a widely held view within the market.

For consumers and politicians focused on the headline oil price for Brent and West Texas Intermediate, the most popular benchmarks, it may not matter much. Car drivers could even benefit, because too much light-sweet crude often leads to too much gasoline, and lower prices. On the flip side, truckers may find themselves short-charged, as refiners prefer heavy-sour crude to make diesel.

To oil traders in the physical market, it provides opportunities for to profit from the changing price spreads between different crude varieties.

Few oil executives see the market changing anytime soon. The supply and demand balance could deteriorate further as Opec deepens output cuts next month. "Opec cuts will sustain the tightness of heavy-sour crude," Alex Beard, the head of oil at commodities trading giant Glencore Plc.

At the same time, US shale production keeps growing, feeding the glut of light-sweet crude. The proportion of light crude in US total petroleum output has risen to nearly 57%, up from 51% in early 2017, according to Bloomberg calculations based on US Energy Information Administration data.

In the physical market, oil price differentials for some important varieties of heavy-sour crude - including Russia's main export grade, Urals, and Mars Blend from the US Gulf of Mexico - are at the strongest levels in five years, according to data compiled by Bloomberg.

Mars crude on Tuesday traded at a $5.85 premium to US benchmark West Texas Intermediate, compared to a discount of $1.60 a barrel a year ago. Earlier this month, Heavy Louisiana Sweet crude traded at a rare premium to its sister variety Light Louisiana Sweet.

"Opec is having the impact that they wanted in the physical market, which is tightening," Marco Dunand, chief executive officer of commodities trader Mercuria Energy Group Ltd, said.

Heavy-sour crude is becoming so expensive – and gasoline refining margins are so low – that some US refiners are running their most sophisticated kit at low rates in an effort to save money. Others are likely to follow.

The cracking margin for heavy-sour crude for the most sophisticated refineries in the US Gulf of Mexico has fallen to about $2.50 per barrel in recent days, compared to a five- year average of $12 a barrel, according to data from consultant Oil Analytics Ltd.

The global refinery has no option but to adapt almost in real time. Valero is "changing the way it's sourcing crude on weekly, daily basis to try to get the best netback we can on the plants," Joe Gorder, chief executive officer, told investors on Thursday.

Exxon, Chevron muscle up in Permian on rig-to-refinery play

Bloomberg
Houston

A pump jack stands at dusk in the Permian Basin area of Loving County, Texas (file). Exxon Mobil and Chevron are investing heavily in Texas pipelines and processing facilities as they build out their rig-to-refinery approach to the Permian Basin, demonstrating how shale is becoming a core driver of the world's biggest oil companies' future growth.

Exxon Mobil Corp and Chevron Corp bided their time, watching smaller independent drillers make the first moves in shale before placing their bets. Now they're all in.

The two US supermajors are investing heavily in Texas pipelines and processing facilities as they build out their rig-to-refinery approach to the Permian Basin, demonstrating how shale is becoming a core driver of the world's biggest oil companies' future growth.

Both Exxon and Chevron nearly doubled production from the Permian over the last 12 months and expect strong expansion to continue. For Chevron, the region will produce a fifth of all its oil by the mid-2020s. But rapid growth brings transportation and refining challenges. This is where the supermajors think they can steal a march on rivals, who have until now stolen the show in the world's premier shale field.

Exxon will "bring fundamental science and technology, bring large-scale efficient development and bring an integrated well-to-market approach" to the Permian, chief executive officer Darren Woods said during a call with analysts Friday. "We believe our approach will deliver the lowest-cost supply and give us a significant advantage over the rest of the industry."

The supermajors only produce about 9% of Permian oil so "have a long way to run," according to Raoul LeBlanc, a Houston-based analyst at IHS Markit. But they're coming on fast. At the start of 2017, they spent less than 5% of drilling and well completion capital in the Permian and by the end of 2018 they had jumped to 15%, he said.

While the Gulf Coast refining hub is the natural destination for Permian oil, processing all that crude is not so simple. For years, refiners upgraded facilities to handle heavy, high-sulphur oil from Venezuela, Canada and Mexico as US production waned. But the shale boom brought an abundance of light, low-sulphur crude that isn't optimal feedstock for heavy refineries.

So more capacity is needed. To handle surging Permian oil flows, Exxon is expanding capacity at its Beaumont refinery in Texas by 65%, a move that will make it North America's biggest. The cost will be about $1.1bn, according to analysts at Cowen & Co Exxon also signed off on a giant crude pipeline, developed with Plains All American Pipeline LP and Lotus Midstream LLC, that will ultimately carry 1mn barrels a day.

Keeping pace, Chevron agreed to buy a Houston-area refinery from Brazil's Petrobras for $350mn, the company's first refinery acquisition in decades. The ageing operation that mainly processes the light crude harvested from US shale will boost Chevron's Gulf Coast refining capacity by almost a third.

"It is in a great location and that allows us to integrate increasing light crude production out of West Texas," chief executive officer Mike Wirth said on a call with analysts.

For the sceptics, it's about time. While smaller rivals were experimenting with fracking technology and buying up drilling rights in the now-prolific basin early in the decade, Exxon and Chevron didn't really get going until years later.

Although Exxon's inaugural foray into shale happened in 2010 with the $35bn purchase of XTO Energy Inc, that was a gas deal. The real money was in oil, spurring Exxon to spend a further $6.6bn in 2017 to amass Permian drilling rights from the Bass family.

As for Chevron, the California-based driller inherited a commanding 2.2mn acres of drilling rights, the second-largest behind Occidental Petroleum Corp's, from its 2001 takeover of Texaco Inc.

Both companies have gone through steep learning curves, picking up techniques from smaller rivals. Still, there are worries they haven't yet caught up.

"There are concerns that you are perhaps not as leading-edge as we might want you to be in terms of your Permian performance on a returns basis," Paul Sankey, a New York-based analyst at Mizuho Securities USA LLC, said to Chevron's Wirth on the call.

Wirth responded by saying returns are "very, very strong."

US shale drillers resume rig cuts, shrugging off oil's rebound

Bloomberg
New York

Oil explorers cut drilling in US shale fields, shrugging off oil's rebound, as investors urge them to keep spending in check.

American drillers idled 15 oil rigs last week, bringing the number of active equipment down to 847, the lowest since May, according to data released on Friday by oilfield-services provider Baker Hughes.

Crude futures extended their rally in New York after the report was released, touching a two-month high of $55.66 a barrel.

A rebound in oil prices since Christmas Eve has yet to turn the sentiment of explorers who saw a late 2018 price plunge blow up spending plans and led them to tighten belts across the industry.

The biggest rig cut among major US shale plays came from the Permian Basin of West Texas and New Mexico, where the count dropped by 3 this week, to 481.

Helmerich & Payne Inc, the biggest US provider of land rigs, said demand for its most expensive equipment has softened for the start of this year because of uncertainty over oil prices and more prudent spending.

"Discussions with several customers regarding capex outlook indicates a mix of increasing, decreasing, and flat spending budgets," chief executive officer John Lindsay told analysts and investors this week on a conference call. "However, the consistent theme is discipline, principally keeping 2019 spending within cash flow."

Helmerich joined Halliburton Co and Schlumberger Ltd in slashing spending as their customers are under pressure from shareholders to keep budgets in check. North American explorers are expected to cut their rate of annual spending growth by half to 9%, analysts at Barclays Plc wrote last month in a note to investors. In kind, explorers have cut rig usage all but one week this year.

The curious case of Norway's 60mn barrels of missing oil

Bloomberg
Oslo

Norway has built a reputation as one of the calmest and most predictable corners of the global oil industry, but lately it's been full of surprises.

During the worst downturn in a generation, from 2014 to 2016, companies would regularly exceed official forecasts as oil production rose in defiance of falling prices. More recently, with crude surging back to multiyear highs, they've run into trouble.

The Norwegian Petroleum Directorate now expects output to fall to a 31-year low in 2019, with production expected to be almost 60mn barrels short of its previous forecast for this year and in 2018. That's 80,000 bpd less than expected.

So what happened?

1. Maintenance backlog

One of the most frequently cited reasons for oil production missing forecasts in the NPD's monthly updates through 2018 was maintenance shutdowns. Back in 2016, when output surpassed forecasts by 6%, oil companies cut maintenance outages. They insisted back then that the reductions were due to efficiency gains and weren't creating a backlog.

"Maybe they've stretched it too far in terms of avoiding maintenance," said Simon Sjothun, an analyst at consulting firm Rystad Energy AS. "It works in the first couple of years," but it's a "very realistic hypothesis" that they're now picking up the slack, he said.

2. Glitches and delays

Technical challenges on platforms or under the seabed, and delayed output last year will also impact 2019, the NPD's Director General Bente Nyland said in an interview.

Wintershall AG's Maria is one example of a field that hasn't performed as expected, while Equinor ASA's Gina Krog, which also started up in 2017, is "probably on the list," Nyland said.

The NPD declined to provide more details on individual fields before a broad resource update in February or March. Alv Bjorn Solheim, a vice president at Wintershall's Norway unit, confirmed Maria had produced less than planned, but declined to say how much. Equinor declined to comment on Gina Krog.

Postponed startups include Equinor's Oseberg Vestflanken, which came online in October last year instead of a planned startup in the second quarter. After taking over the Martin Linge project from Total SA, Equinor also pushed back startup to the beginning of 2020.

3. Hubris and tiny fields

Both authorities and companies might have been too optimistic in their assumptions about reserves and production rates for certain fields, said Nyland. She declined to mention any examples, but the NPD recently said that Spirit Energy Ltd had cut the oil-reserves estimate for its Oda field, due to start producing by March, by about 30% to 33mn barrels.

Pressured to improve profitability after crude prices fell in 2014, oil companies turned over every stone to cut costs and pick solutions that raised the resource count for their projects. That could have led some to take an excessively optimistic view on how many barrels they would be able to squeeze out, said Sjothun.

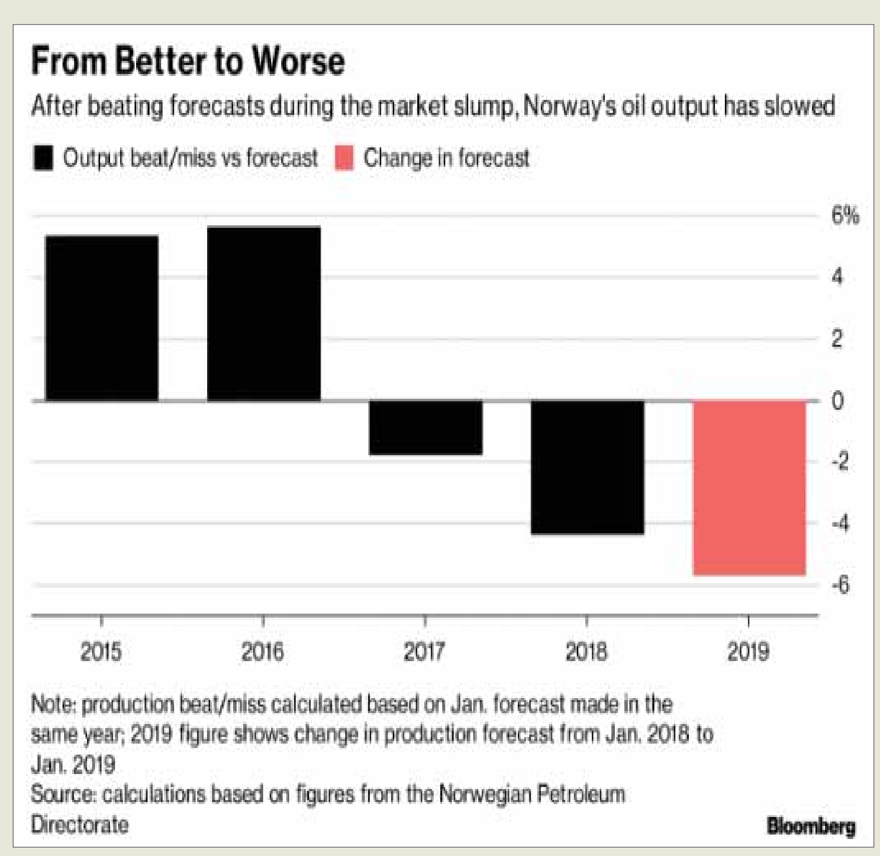
Oda is also a typical example of smaller developments, which make up an increasing part of the project pipeline in Norway as the North Sea becomes a more mature oil basin and exploration in the Arctic Barents Sea continues to disappoint. The trouble with small fields is that the operator often has less data about the reservoir under the seabed, because a project of a smaller size doesn't warrant drilling numerous wells, Nyland said.

"Small fields are the most difficult to forecast," she said. "On bigger fields you'll have more wells before you make a final decision. On a small field, you think that one well might be OK, and all of a sudden it doesn't deliver."

4. A brighter future

To be sure, the abrupt slump in Norway's oil production is temporary. The Nordic country will enjoy a spectacular bump in oil production in 2020 thanks to Equinor's Johan Sverdrup field, which is scheduled to start production in November this year.

With as much as 3.2bn barrels in oil reserves and production of as much as 440,000 bpd in its first phase, the giant North Sea field should in 2020 contribute to the biggest year-on-year increase in Norway's output since the 1980s.



Crypto fever is broken: Paris fintech summit returns to disrupting banks

Bloomberg
London

Crypto fever has truly broken.

That was a big takeaway last week from the Paris Fintech Forum, one of the biggest annual gatherings of its kind in Europe. On Tuesday and Wednesday, about 3,000 entrepreneurs, investors, bankers, and regulators descended on the neo-classical Palais Brongniart, once home to the stock exchange.

Last year, with Bitcoin and its imitators soaring, attendees jammed discussions on blockchain technology.

"I nearly lost my whole team to cryptocurrencies," said Will Andrich, the CEO of Switzerland's Thaler.One, which says it creates real estate-backed digital securities.

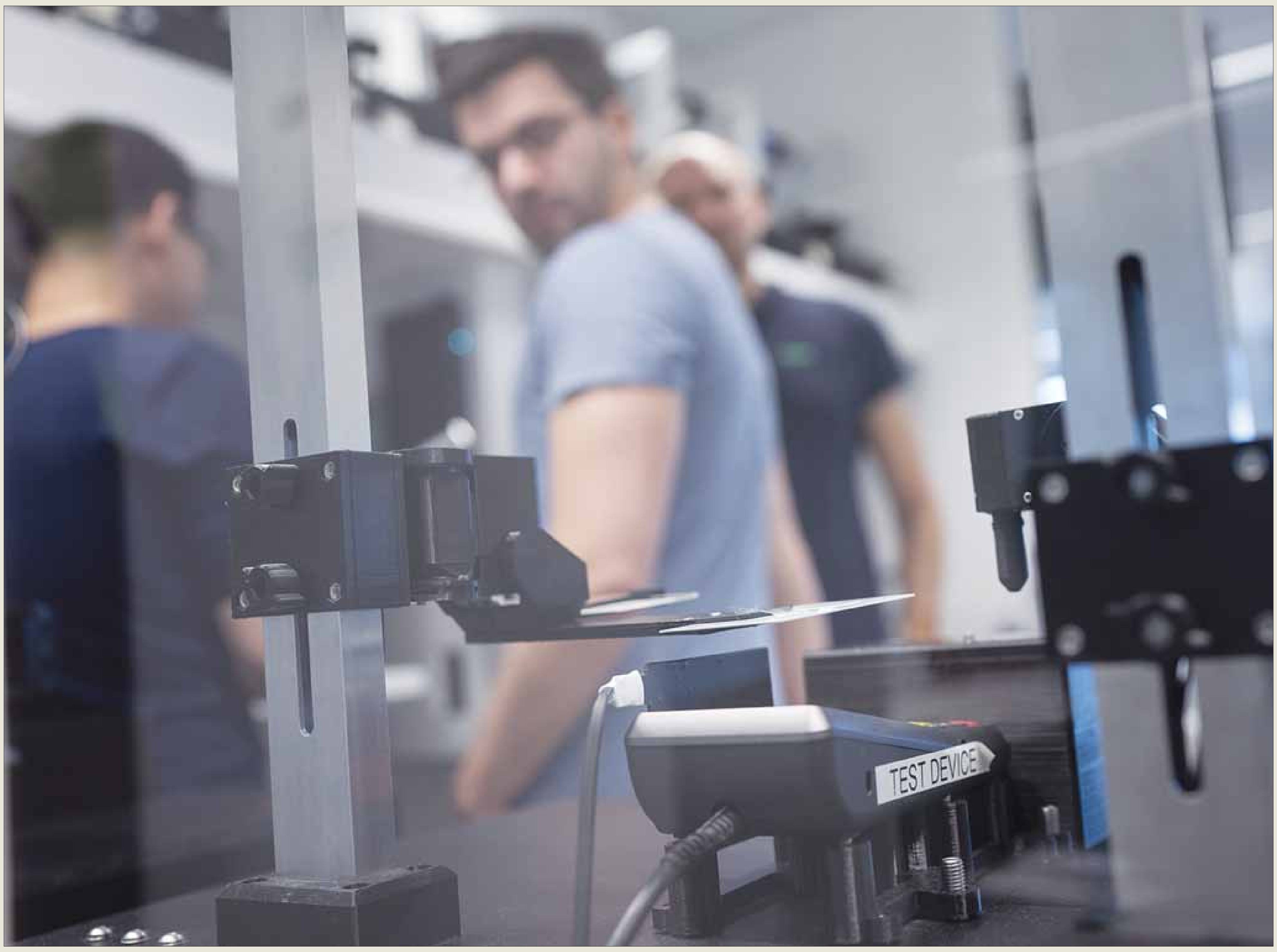
No such problem this year. With the top 10 crypto assets down 80% in the last 12 months and scepticism mounting, many fintech pros concluded that the technology may not be ready for prime time, especially in an industry this heavily regulated.

Instead, the conference was about getting back to banking basics. Sessions on building branchless lenders were standing-room only, investors buzzed about how 2019 could be a banner dealmaking year, and the most controversial moment came at a panel on old-fashioned lending.

Backstage, luminaries from traditional finance and the startup world sipped coffee and geeked out. Fresh from Davos, Christine Lagarde, managing director of the International Monetary Fund, chatted with Kathryn Petralia, a co-founder of Kabbage Inc, an Atlanta-based firm that does automated credit scoring and lending.

On stage, the governor of the Bank of France, Francois Villeroy de Galhau, held forth on artificial intelligence with Olivier Guersent, the director-general of financial stability at the European Commission. "I'm pretty excited about supply chains," said. Ann Cairns, the vice chairman of Mastercard Inc.

With Europe's new payments law now requiring banks to share customer account data with fintech firms, the prevailing vibe was that there's plenty of action without messing around with crypto.



A robotic arm holds a credit card over a contactless payment processing device in a testing room inside the Adyen headquarters in Amsterdam, Netherlands (file). With the top 10 crypto assets down 80% in the last 12 months and scepticism mounting, many fintech pros have concluded that the technology may not be ready for prime time, especially in an industry this heavily regulated.

Perhaps nothing drove that point home more than the face-off between Gottfried Leibbrandt, the chief executive officer of Swift, and Brad Garlinghouse, the CEO of San Francisco's Ripple Labs Inc. Swift is a 46-year-old cooperative that directs trillions of dollars in cross-border payments between thousands of banks.

Garlinghouse has repeatedly vowed to leapfrog Swift's 1970s-conceived system with a faster, cheaper blockchain-like one.

"I look at the dynamic between Ripple and Swift, and I liken it to Amazon and Wal-Mart," Garlinghouse said on Wednesday to a packed auditorium.

Leibbrandt countered that for two years, Swift's latest payment standard revitalised its system, letting customers track a payment like a FedEx package, and cutting transfer time to hours.

Unlike Ripple, which has struggled to sign up major banks, Leibbrandt said the world's top 60 lenders are utilising its technology, which is already embraced by regulators.

"Banks are not ready for a model where you convert into a crypto and then convert back again," Leibbrandt said. "It's not clear to us that blockchain is better than what we have today."

Last week, the hot fintech jargon was "Banking-as-a-Service." A more apt moniker might be "Bank-in-a-Box": these ventures create digital versions of products ranging from debit cards to money transfer to account-management tools, which customers can rebrand as their own. Antony Jenkins, the former CEO of Barclays Plc, runs an outfit called 10x that has made inroads in this space.

"We're commoditising everything that a bank does," said Brad van Leeuwen, head of partnerships at London-based Railsbank Ltd, as he showed a menu of offerings to prospects. Railsbank, whose slogan is "Banking in Five Lines of Code," is capitalising on the spread of inexpensive open source software and cloud computing.

Some ventures, like solarisBank AG, obtained bank licences so they could make loans through partners and sell software to support payment cards and other products to upstarts.

"Traditionally, banks are not good at dealing with clients, so we enable those fintechs to move in on their turf," said Roland Folz, the CEO of Berlin-based solarisBank.

Things were less rosy in the online lending space. The underwhelming initial public offering and share slump by Funding Circle Holdings Plc, the No 1 peer-to-peer loans outfit in the UK, cast a pall. Then, there's Brexit.

Christian Faes, the CEO and co-founder of mortgage lender LendInvest Ltd, said his firm is originating between £20mn and £30mn per month in loans to residential landlords after moving into the market in 2017, with funding from Citigroup Inc. He'd like to expand into mainstream mortgages, too, but it's harder to attract backers right now.

"Brexit is not ideal," said Faes. "The market for institutional money has been shut down until Brexit is sorted out."

As investors scrutinise the stress to the British economy, Rishi Khosla, the CEO of an online lender called OakNorth, drew guffaws of disbelief when he said his firm had never recorded a default or late payment, thanks to its machine learning capabilities. He might be "not lending enough," said Olivier Goy, the CEO of October, which originates loans for small businesses, said on a panel the next day.

There was a feeling that European fintech is maturing, though retaining its dynamism. German digital bank N26 GmbH recently garnered a valuation of $2.7bn. Mastercard and Visa Inc are battling to buy a London cross-border payments firm called Earthport Plc, and Adyen NV, the Dutch payment processor that went public last year, has minted three billionaires as its stock has nearly tripled.

Looser times are over, said Benedetta Arese Lucini, the founder and CEO of Oval Money Ltd, a startup based in London and Turin that lets consumers manage their spending and saving.

Wrapping up her spiel in a pitch contest, she said she was swearing off attending more conferences. And she's done with spending her time taking part in pitch contests, too.

"Last year we could make mistakes, but you can't do that anymore," Arese Lucini said. "Our adolescence is over."

Bloomberg QuickTake Q&A

What are stablecoins?

By Matthew Leising
Los Angeles

One of the biggest hurdles facing digital currencies is their extreme volatility. Bitcoin traded near $20,000 in December 2017 only to plummet to around $6,000 two months later – a range of price swings that makes Bitcoin nearly unusable for business owners or consumers. For some, the answer is a stable cryptocurrency, or stablecoin. While the idea isn't entirely new and the best-known example, Tether, has been trading since 2015, a host of new stablecoins hit the market last year.

1. What are stablecoins?

Digital assets sometimes referred to as coins, sometimes as tokens, that are designed to keep their value. That is, to experience only the milder kind of volatility seen in traditional currencies. Tether, for instance, always trades for about $1.

2. How do they do that?

In one of two ways. Collateralised stablecoins are pegged to another asset, like the US dollar, a basket of national currencies or commodities, and their issuers back up the value of their coin by holding on to that asset. Other stablecoins are pegged to the price of cryptoassets like Ether or a group of digital currencies. Stablecoins of this sort typically employ algorithms to manage supply and demand of the coin so what's in circulation matches what's held in reserve.

3. How many stablecoins are there?

As of September 2018, there were 57, of which 23 had been released and 34 were in the planning stages, according to research by Blockchain.com. The stablecoin market value at that time stood at $3bn, according to the research report.

4. Why are the coins popular?

Stablecoins can be a handy bridge between two worlds that weren't designed with mixing in mind – cryptocurrencies and traditional finance. That makes them useful as a way to lock in gains from crypto trading or as a safe harbour if investors think a downturn is coming. They also make it easy to transfer funds between cryptoexchanges, many of which don't have the relationships with banks needed to offer fiat deposits or withdrawals. The exchanges can and do accept stablecoins such as Tether, however.

5. What are the different stablecoins like?

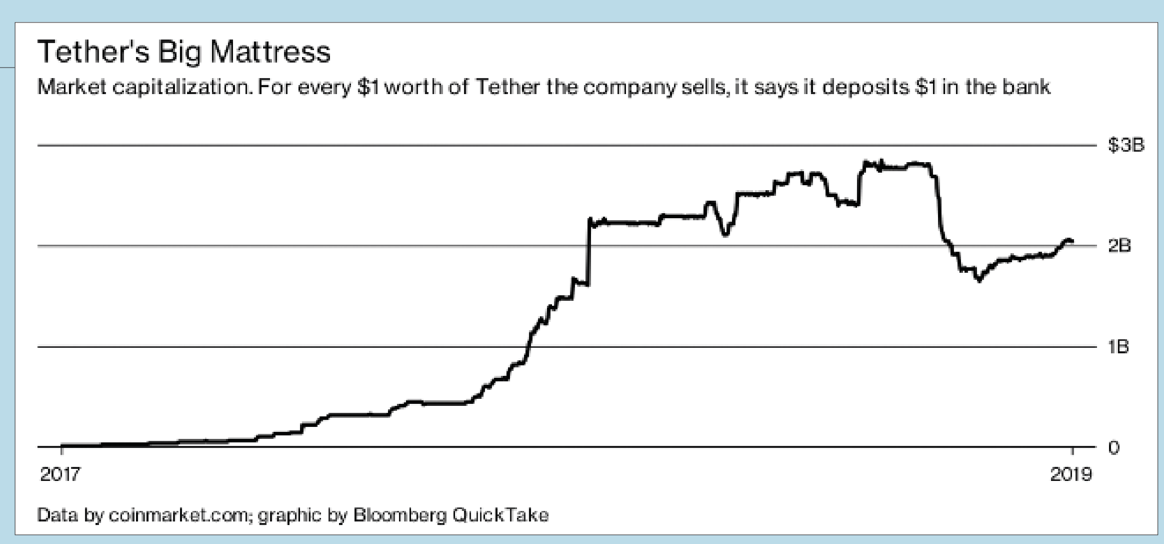
Here are some examples:

■ By far the most popular stablecoin is Tether, with a $2.6bn valuation at the time of the Blockchain research report. Tether says that its tokens are backed 1:1 by US dollars. Doubts about that have dogged it for years, and the company has yet to publicly provide conclusive evidence of its holdings. But bank statements from late 2017 to early 2018 seen by Bloomberg News appeared to show a 1-to-1 match between dollars on deposit and the number of tokens issued.

■ True USD is another collateralised stablecoin that holds greenbacks. When users turn in their True USD for dollars, which are kept in escrow accounts, the stablecoins are destroyed, which helps maintain the 1-to-1 ration with the fiat reserves. Unlike Tether, True USD is releasing monthly reports on its reserves. Yet in May 2018 its price lost the 1-to-1 peg and hit $1.39 in secondary trading after it was announced that the currency would be listed on the cryptoexchange Binance, according to the Blockchain research.

■ Dai is a stablecoin pegged to the value of the dollar but backed by Ether, one of the most-valuable cryptocurrencies – yet one that is also wildly volatile like Bitcoin. Dai says that it over-collateralises, that is, it holds more Ether than a 1-to-1 reserve would require, to provide a cushion for swings in Ether's price. That gives it one of the more complicated price stability mechanisms in the market, as noted in the Blockchain report.

■ Gemini Dollar is issued by the digital asset exchange Gemini, founded by Cameron and Tyler Winklevoss. The tokens are also backed by US dollars, which are held by State Street Corp. Its dollar reserves are examined every month by San Francisco-based BPM to ensure they match, according to Tyler Winklevoss.



6. How do stablecoin companies make money?

Interest and fees. The bank statement for Tether reviewed by Bloomberg News showed how much money it was making from the cash pile. It had earned $6.6mn in interest since the beginning of the year, according to the July document. It also charges fees for deposits and withdrawals of fiat money.

7. What's next?

Stablecoins could be the product that convinces everyday users that cryptocurrencies deserve a place next to their ATM card. In the longer run, if a national government decides to issue its fiat in digital form that would be a big leap for the stablecoin market, assuming the country has a trusted record of maintaining its national currency like the US dollar. While the US doesn't seem likely to do that soon, the Federal Reserve has been urged to consider the option. The central bank in Sweden, one of the world's most cashless societies, plans a pilot project with an "e-krona" this year.

8. What are the risks?

That depends on which stablecoin you are talking about. Those tied to digital assets like Ether could crash if it does. Collateralised stablecoins run a risk of fraud, that the reserves they claim are backing the asset are fictional. And like any asset, digital or tangible, there is the risk of secondary-market manipulation which could skew coin values and threaten to break any underlying peg. Lastly, regulators could decide that stablecoins are securities and must be registered in jurisdictions like the US or EU, or be excluded from those markets. In December, Basis, a stablecoin that raised $133mn from investors, said it was closing down the project and returning the money after regulatory guidance it received made it clear it would have to register bonds and token shares as securities under US law.

Yen level that's key for Treasuries may already be in place

Bloomberg
Tokyo

The yen level that will determine whether Japanese investors return to US Treasuries may already be in place.

Japanese funds have boosted holdings of overseas debt at the fastest pace in four months as the yen advanced past the 110-per dollar mark. The trend may accelerate if the currency continues to rally to 100, as predicted by Deutsche Bank AG and Credit Agricole SA.

Such an outflow is in sharp contrast to the chatter last year about how funds from Japan – which own around $2.4tn of overseas debt – may pivot home as a central bank policy tweak sent local yields climbing.

That seems distant now with Japan's yields sinking and the yen looking set to strengthen.

"There could be more demand to buy unhedged Treasuries from investors on the prospect of currency gains, especially after the yen rose beyond 110 against the dollar," said Hideaki Kuriki, chief fund manager at Sumitomo Mitsui Trust Asset Management Co in Tokyo.

"It's possible that a huge amount of money went into foreign bonds as the yen has appreciated more than expected."

Life insurers, among Japan's biggest holders of overseas bonds, may be leading the charge.

At least two of them, including Nippon Life Insurance Co – the largest private player – said in October that they would consider buying unhedged foreign debt when the dollar is below ¥110.


Currency traders work in the dealing room of a foreign exchange brokerage in Tokyo (file). Japanese funds have boosted holdings of overseas debt at the fastest pace in four months as the yen advanced past the 110-per dollar mark.

The prospects of a stronger dollar made hedging more expensive for Japanese investors in 2018, in part prompting them to net sell ¥5.2tn ($47.5bn) of US sovereign bonds in the first 11 months of the year.

Makoto Suzuki, a senior bond strategist at Okasan Securities Group Inc, noted that Japan's life insurers sold about 900bn yen worth of overseas bonds in the three months through December, leaving them with "ample cash on their hands."

As the yen dipped below 110, Japanese purchases of foreign bonds totalled about ¥3tn in the two weeks through January 18, the highest for such a period since September, according to latest data from the Ministry of Finance.

The currency traded at 109.30 to a dollar on Wednesday, compared with an 11-month low of 114.55 in early October.

Take Risks There's a good chance the yen will strengthen to 100 against the dollar in coming months as slowing global growth and US-China trade tensions keep investors on edge, Kazuo Momma, former executive director at the Bank of Japan, said recently.

Mitsui Life Insurance Co says a dollar-yen level below 110 makes its greenback-denominated products appear more attractive to retail investors.

"Investors who buy unhedged US bonds are expected to step in constantly when the dollar dips below ¥110," said Hiroshi Nakamura, senior manager of investment planning department at Mitsui Life.

Japan's benchmark 10-year yield turned negative at the end of December for the first time in more than a year and was at 0.005% last week.

The yield premium that similar-maturity Treasuries offer over the debt has risen to 271 basis points from as low as 256 in early January.

"Investors can't invest in yen bonds as their yields are falling," said Kuriki of Sumitomo Mitsui. "They have to take some kind of risks and invest abroad to gain yields."

US-China trade war brings good chance for Pakistan

Internews
Karachi

Pakistan, which is struggling to achieve a dramatic turnaround by reining in excessive imports and boosting sluggish exports to fix the faltering economy, is likely to partially achieve the goal in the wake of opportunities emerging due to the US-China trade war.

The two biggest economies of the world have made 62% ($360bn) of bilateral trade expensive by slapping additional tariffs on thousands of each other's goods since July 2018 and have caused a slowdown in the global economy, according to the State Bank of Pakistan (SBP).

"For Pakistan, the imposition of these cross-tariffs offers some interesting opportunities as well as challenges.

On a positive note, key food items, such as rice, seafood and soybean (both seeds and oil), have come in the crosshairs, which offer an opportunity to Pakistan to reduce its trade deficit," the SBP said in its first-quarter report on the state of economy for fiscal year 2018-19.

Among the thousands of goods on which additional tariffs have been imposed by the two countries, three product categories may provide benefit to Pakistan's exports which are seafood, rice and cotton (raw cotton, fabric and yarn).

"Specifically, American seafood exports to China are now much costlier as a result of the tariffs, as are Chinese exports of rice and cotton items to the US," the central bank said.

China is a major global importer of seafood products and imported 16.3% of its overall seafood imports from the US in 2017 (worth $1.3bn).

"It mainly imports lobsters, oysters, flatfish and sardines, all of which are now attracting additional tariffs, and all of which are also exported by Pakistan," it said.

Pakistan's global exports of these products amounted to $338.9mn in FY18 and constituted 75.1% of the country's overall seafood exports.

"As the US seafood exports to China have now become much costlier, Pakistani exporters might increase their presence in the Chinese market," the SBP said.

China is the world's largest importer of soybean and the US is the second largest producer and exporter of the commodity, after Brazil. Importantly, soybean is the largest export product from the US to China.

Soybean was among the first items targeted by China when the first round of retaliatory tariffs went into effect in July 2018.

China then shifted its demand for soybean to Brazil and Argentina. As a result, soybean export prices of Brazil and Argentina have spiked whereas those of the US have plunged.

"This presents an opportunity for edible oil mills in Pakistan to reduce their imports of soybean oil and seed in value terms by diverting their purchases to the US, where the prices are falling," the SBP pointed out.

Encouragingly, there are indications that this switch is already taking place. Brazil's share in Pakistan's overall soybean imports (both seeds and oil) fell to 49.5% in FY18 from 58.4% in FY17 whereas the share of the US rose to 45.4% from 32.1%.

"Further enhancing soybean imports from the US will yield more FX (foreign exchange) savings for Pakistan," it said.

On the other hand, the volatility in iron and steel prices in recent months after the imposition of tariffs by the US presents a challenge from Pakistan's perspective.

In September 2018, with anti-trade measures in full swing, the US targeted the bulk (49.1%) of iron and steel products that it imported from China and imposed additional tariffs on them.

Steel prices in China were falling during the first half of 2018 as uncertainty loomed about the extent of the protectionist measures that would be adopted by the US. Further downward pressure came from a cooling off in China's economy this year, which has impacted its demand for steel.

Chinese groups keen to invest in Pakistan

Internews
Lahore

A 12-member delegation of China Engineering Corp and Henan DR Construction Group in a meeting with Punjab chief minister Sardar Usman Buzdar have showed interest to invest in agriculture and housing sectors.

They added that they were also interested in investing to make the barren land useful for agriculture purpose through modern technology and would also transfer the technology to Punjab for the construction of low cost houses.

The delegates said they wanted to start the project of housing industrial park and the Chinese group would make investment for this purpose.

On this occasion, Sardar Usman Buzdar said, Pakistan and China had everlasting friendship and this relationship had now got new dimension during the PTI government under the leadership of Imran Khan. Foreign investors had been given immense opportunities in Punjab and: "We welcome the interest of Chinese investors in the housing and agriculture sectors." The Chinese investors would be given every possible facilities, he assured and added that there was huge potential in the sectors of agriculture and housing.

The agriculture sector of Punjab was the backbone of economy and it could be strengthened with the use of modern technology. The CM said the construction of low-cost houses was the part of PTI manifesto and the New Pakistan Housing Scheme was the revolutionary programme to provide houses to the common man.

He said new facilities and favours had been given to foreign investors in New Pakistan and 'we want to benefit from Chinese technology in agriculture and housing sectors.

The officials of China Engineering Corp also briefed the chief minister on progress on the 1263MW power project in Jhang.

Thailand's currency may continue to outperform in 2019

Bloomberg
Bangkok

There's no stopping Thailand's baht. Last year's best performer in emerging Asia has rallied another 4.2% versus the dollar this year, the biggest gain in the region, and what's driving its advance include a slew of local and foreign factors. Just to name a few

Global investors purchased a net $256mn of local equities this month through January 30, the largest inflow since September 2016.

The current-account surplus widened to $5bn in December from $1.6bn in November, beating the estimate of a $3.5bn excess, according to central bank data.

The balance has been in surplus every month since September 2014 and totalled $37.7bn in 2018 Inflation remains benign at 0.4% in December, the slowest gain since 2017.

The finance ministry expects 4% economic growth in 2019, with exports forecast to climb 4.5% Tourists arrivals will hit a record 41.1mn in 2019, the government said.

The currency is also riding on a wave of optimism for emerging markets, as a more dovish Federal Reserve eases upward pressure on the dollar, while prospects that the US-China trade tension may ease is boosting risk appetite.

The baht may continue to outperform," said Jitipol Puksamatanan, chief strategist at Krung Thai Bank, which was the second most-accurate forecaster for the currency last quarter in Bloomberg rankings. Strong foreign direct investment, a current-account surplus amid lower oil prices, and subdued inflation are also supporting the baht, he said.

The prospect of another interest-rate increase by the Thai central bank in the second half of the year will help boost the currency, especially in light of a likely pause in tightening by the Federal Reserve, Jitipol said. The baht will strengthen to 31 by year-end, he predicted, compared with 31.221.

The Bank of Thailand also doesn't seem too concerned about the baht's appreciation. The currency's strength is a good opportunity for Thai firms to import machinery to bolster productivity, central bank Assistant Governor Chantavarn Sucharitakul said last week.

History a Guide? If history is any guide, the baht's outlook in February continues to be optimistic. The currency has gained that month in eight of the last nine years.

But for some, political risks, including the nation's first general election since a coup in 2014 slated for March and a slowdown in Chinese growth remain a risk.

When the yuan goes down, "the baht will get dragged lower, too," said Michael Every, Hong Kong-based head of Asia financial markets research at Rabobank, which was the most accurate forecaster for the baht.

"Plus, any new government will spend more money and hence, reduce the current-account surplus." Rabobank, sees the currency at 33.7 per dollar by the end of the year, based on his bearish view on the Chinese yuan, he said.

Natixis said to seek sale of Korea derivatives that blew up

Bloomberg
London

Natixis SA, the French bank that had sought growth in risky trading businesses, is looking to sell the portfolio of complex Korean derivatives that blew up in the fourth quarter, losing almost $300mn, according to people familiar with the matter.

The firm has approached potential buyers including JPMorgan Chase & Co and BNP Paribas SA to gauge their interest, said the people, who asked not to be named discussing information that isn't public. It has also asked one of its partners in selling the products to retail investors – South Korea's largest brokerage, Mirae Asset Daewoo Co – if it's interested in buying the portfolio, another person said.

Natixis, like other French lenders, had prided itself on its prowess in complicated derivatives, and earmarked South Korea as a key market for growth.

The bank became a major player in the country's market for autocallables, which are designed to pay the buyer an attractive level of regular income, while maturing automatically if the underlying stock or index breaches pre-set levels.

French banks have struggled to navigate the increasing risk in global markets, with the volatility sideswiping some of Natixis's Paris-based rivals as well. Both BNP and Societe Generale SA are weighing bonus cuts. Bloomberg has reported that BNP, the biggest French lender, lost $80mn in derivative trades linked to the US stock benchmark late last year. Read More: Natixis's Pursuit of Exotic Trades Falters With $296mn Hit One of Natixis's executives told a trade magazine as recently as August that its latest product would be "disrupting the largest equity derivatives market in Asia," tapping yield-hungry investors. That senior salesman, Nicolas Reille, left Natixis last week, people familiar with the matter said at the time.

Spokespeople for JPMorgan, BNP and Natixis declined to comment. Mirae didn't respond to attempts to contact the company after the close of normal business hours in Seoul.

The exact size of the portfolio is unclear, although it could have a notional value of several billion dollars, according to people familiar with the matter. There were about $48bn of Korean autocallables as of November, according to Gyun Jun, a derivatives analyst at Samsung Securities in Seoul.

Natixis accounted for about 12% of that market, according to a Risk.net article last year.

In December, Natixis said it would cease creating Korean autocallables after they saddled the bank with losses and provisions of €260mn ($298mn).

The revelation sent its shares to a two-year low.

It said the model it used to hedge the products backfired, proving "deficient" amid market conditions that saw Asian equities plunge amid US-China trade tensions.

Natixis subsequently said it would let the products run down naturally over time. However, a sale could resolve the matter more quickly. The products typically have a three-year maturity, but that can be shorter in a bull market that triggers the products' automatic redemption feature.

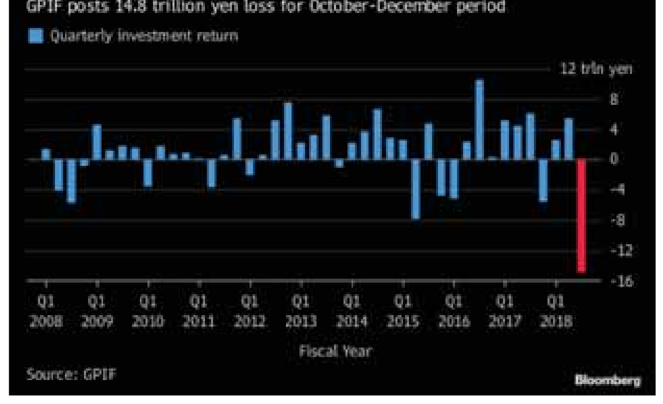
Japan's GPIF takes $136bn hit in worst quarter

Bloomberg
Tokyo

The world's biggest pension fund posted a record loss after a global equity rout last quarter pummeled an asset class that made up about half of its investments.

Japan's Government Pension Investment Fund lost 9.1%, or ¥14.8tn ($136bn), in the three months ended December 31, it said in Tokyo on Friday. The decline in value and the rate of loss were the steepest based on comparable data back to April 2008. Domestic stocks were the fund's worst performing investment, followed by foreign equities. Assets fell to ¥150.7tn at the end of December from a record ¥165.6tn in September.

While stocks helped the GPIF generate returns for the previous two fiscal years, December's global rout underscored the risks facing the fund since it revamped strategy in 2014 to accumulate stocks and pare domestic bonds.



The GPIF may have little choice but to invest in equities as fixed-income yields, especially those of Japanese government debt, are too low, said Naoki Fujiwara, chief fund manager at Shinkin Asset Management Co in Tokyo.

"It makes sense for the GPIF to hold some risk assets in this environment because yields are low globally and bond investments don't give good returns," Fujiwara said. "Yet from a pensioner's point of view, it takes too much risk on its investments." More than $10tn in equity value was wiped out from the global markets last quarter as an ongoing trade spat between the US and China raised concern over a slowdown in growth.

The Topix index plunged 18% in the October-December period, the biggest quarterly decline since 2008, while the S&P 500 Index dropped 14%, the most since 2011. Japan's currency strengthened 3.7% against the dollar in the quarter.

Shingo Ide, the chief equity strategist at NLI Research Institute in Tokyo, points out that the GPIF's long-term performance is more important than quarterly moves. GPIF's cumulative investment return since fiscal 2001 was ¥56.7tn for an annualised 2.7% gain.

"There's no need to be pessimistic just because GPIF would incur loss on its investment on a quarterly basis," Ide said. "For pension funds, it's more important to focus on how they secure long-term returns rather than their quarterly performance." Still, with about half of its assets in domestic and foreign equities, the GPIF's performance may be in danger of declining as concerns about the US-China trade war and the UK's departure from the European Union increase the risk of a global economic slowdown, according to Hidenori Suezawa, an analyst at SMBC Nikko Securities in Tokyo.

"Trade frictions between the US and China haven't been fully solved yet and there's a possibility that the Brexit problem may be prolonged," Suezawa said. "We can't be optimistic about the investment performance toward March."

In the October-December quarter, investors' risk aversion increased on concerns over the outlook for the global economy and corporate earnings, GPIF President Norihiro Takahashi said in a statement on Friday.

Central bankers' hunger for gold could signal price turnaround

Bloomberg
New York

Slowing global growth, a weaker US dollar and a drive by central banks to expand the amount of gold they hold could be a winning trifecta for investors seeking a recovery in the metal's price after its first annual loss in three years.

Central Banks are expected to acquire an additional 600 metric tonnes this year, according to the consulting firm Metals Focus Ltd. The buys, which will help the banks diversify their foreign-exchange assets in a time of extraordinary political volatility, signal a growing confidence in the metal's value moving forward.

The banks "were not net buyers even a decade ago," said Juan Carlos Artigas, director of investment research at the World Gold Council, in a telephone interview.

"As their foreign reserves expand, they are increasingly diversifying away from pure dollar exposure." The dollar gained strength last year as the Federal Reserve boosted US interest rates on four occasions, undercutting gold's appeal.

This year, though, the Fed has dropped its previous language calling for "further gradual increases" at a time when the world's economic equilibrium is being shaken by sanctions, trade wars and Brexit.

Russia, facing US sanctions, became the biggest central bank buyer in 2018, adding 274.3 tonnes, according to the WGC.

Meanwhile China, locked into a stubborn trade war with the US, added just under 10 tonnes in December alone.

Buyers, including the banks, are "utilising gold as a way to hedge increasing risks," Artigas said. In total, central banks now own about 17% of the world's gold, or about 33,230 metric tonnes, according to the WGC.


Slowing global growth, a weaker US dollar and a drive by central banks to expand the amount of gold they hold could be a winning trifecta for investors seeking a recovery in the yellow metal's price after its first annual loss in three years

"Central bank demand alone" can nudge prices upward, said Jeff Currie, global head of commodities research at Goldman Sachs Group Inc, in a Bloomberg TV interview. "Our target is $1,450'' an ounce.

Spot bullion rose as much as 0.9% to $1,323.43 an ounce on Wednesday, the highest since May. Gold is up 2.9% this year and is heading for a fourth straight monthly gain, while a gauge of the dollar is down for a third month.

The pent-up buying comes as economics increasingly are expressing concern over slowing international production. The International Monetary Fund in January cut global growth to 3.5% this year, the slowest in three years and beneath the 3.7% expected in October, noting trade tensions are adding to rising risks.

Global trade has slowed, while the world's debt is near a record $244tn, three times the size of the global economy. The IMF is warning governments to rein in borrowing and guard against future risks.

Meanwhile, "the fact that the US dollar might have peaked could be a significant driver," Axel Merk, manager of the $149.35mn VanEck Merk Gold Trust said in an e-mail.

"I wouldn't be surprised that in the context of the greenback's run-up in recent years, the voices to diversify have not only increased, but now have gotten traction."

To be sure, not everyone is convinced that the acquisition of gold by central banks will be the major driver for the price of gold. Stephen Land, a money manager at Franklin Templeton Investments, said he still sees demand for gold jewellery, bars, coins and physical gold-backed Exchange Traded Funds serving in that role.

Investors slowed purchases of gold-backed ETFs last year, but the assets surged by more than 100 metric tons from October through year-end on broader market volatility. Demand for gold bars and coins rose 4% in 2018, while jewellery demand was steady, according to the World Gold Council.

"Additional news of official sector buying "can drive investors aggressively into even more long gold positions," said Bart Melek, head of commodity strategy at TD Securities in Toronto, in a Jan. 17 note. "This would go a long way to move prices significantly above forecasts."

Bullish emerging market drivers fade amid lingering risks

Bloomberg
New York

The string of good news that drove the biggest monthly rally in emerging-market stocks since 2016 may soon fizzle out.

Societe Generale and Morgan Stanley warned on Friday that bullish catalysts, such as the more dovish Federal Reserve and the resumption of trade talks, are fading fast.

At the same time, potential drags linger – the Chinese economy is slowing, European growth is sluggish and stock valuations have risen back above their five-year average.

January was a stellar month for the developing world as stocks clocked up the best performance since 2016 and currencies had the biggest gain in a year.

Investors were lured by cheaper prices, the prospect of US rates remaining on hold and optimism over trade talks. However, that's also brought valuations up, with the price-to-earnings ratio for the MSCI Emerging Markets index posting the steepest monthly increase in more than a decade.

"History teaches us that EM currencies typically do well when growth momentum is positive, and suffer when it is negative," wrote Jason Daw, the Singapore-based head of emerging-market strategy at Societe Generale.

He's among the few analysts who correctly anticipated last year's selloff in developing nations, and continues to be bearish on the bet that currencies will suffer as the global economy loses momentum.

Emerging markets headed for a muted end to a strong week as disappointing Chinese manufacturing data offset a better-than-expected US jobs report. MSCI's gauge of stocks was little changed on Friday.

Morgan Stanley strategists, who have been bullish on emerging markets, said they're seeing risks that the rally in bonds is at least running out of gas.

"We are sticking to our long positions in EM for now, but are increasingly mindful of the consensus nature of the call and the shortening list of big-picture bullish catalysts on the horizon in light of the sharp dovish shift from the Fed," strategists led by James Lord wrote in a note to clients.

After the Fed gave long emerging-market investors the gift they hoped for this week, a trade truce between the US and China could be the next good news in the list, but many traders say this is already priced in.

As a result, an upside is more limited than the potential downside.

"The market is cautiously optimistic that a deal will be signed, so a negative outcome would most likely move the market more negatively than a good outcome would move the market higher," said Greg Lesko, a money manager at Deltec Asset Management in New York.

Putin joins Trump in finding ways to ease Deripaska's pain

Bloomberg
Moscow

Oleg Deripaska has seen the post-sanctions future of his global aluminium empire and it's full of Russian footbridges and fighting vehicles.

The United Co Rusal billionaire agreed to cede absolute control of his flagship company to win relief from the Trump administration sanctions that halved its value - but not before charting a recovery path with the help of Vladimir Putin, an old ally whose policies prompted the penalties in the first place.

While the billionaire's go-betweens were frantically lobbying authorities in Washington, he spent the last nine months prowling the corridors of power in Moscow to pry open new markets for Rusal's alloys that will ease its reliance on exports. One official said Deripaska and his agents were such frequent visitors to Putin's staff that it seemed like they had their own office in the Kremlin.

Deripaska's bureaucratic victories so far include overturning a 15-year ban on the use of aluminium wiring in residential construction and persuading local authorities across the country to build pedestrian bridges out of aluminium instead of steel for the first time in half a century. Corporate and state officials say these and a raft of other regulatory changes in the works should help boost Russian use of the metal by more than twofold within a decade.

"Aside from the development of the domestic market and the creation of new goods, one of the aims of the program is to defend the interests of thousands of employees in the aluminium industry," said Ilya Dzhus, spokesman for Deputy Prime Minister Dmitry Kozak, who's overseeing the initiatives.

The Aluminum Association, a lobby group co-founded by Rusal, expects annual Russian demand to reach 2.5mn tonnes by 2028 from 1.1mn tonnes last year. That would probably lift the domestic portion of Rusal's worldwide sales to almost two-thirds from less than one-third, Bloomberg calculations based on company data show. Rusal, Russia's sole producer of primary aluminium, had about 10% of the global market before last April's sanctions.

Even better for Deripaska, who's still on the US blacklist of individuals, most of the increase will come from more profitable, so-called value-added products. These include the types of window frames and roofing that the city of Moscow plans to use in a $50bn upgrade and expansion of housing stock. Rusal also makes scores of speciality materials used across multiple industries, many with military applications.

Deripaska, 51, has long argued that the country's regulatory framework for construction, transportation, agriculture and other sectors lags far behind the advances being made in aluminium-based metallurgy.

But his advocacy campaign didn't make much headway with the government until he and his companies were penalised by the US as part of a wider pushback against what the Treasury Department called Putin's "generally malign" activities.

The sanctions essentially severed Rusal from the international financial system, roiling the aluminium market, ravaging the rouble and threatening Russian jobs. State media outlets responded by lashing out at what they characterised as imperial American overreach, swelling public support for government action - a mood shift Deripaska was waiting for.

"After the sanctions were imposed, the 'All Aluminium' motto became a regular topic at government meetings and Rusal was quick to intensify its lobbying efforts," said Kirill Chuyko, head of research at BCS Global Markets in Moscow.

Now Russian newscasts often trumpet the various, and sometimes unique, uses for the multifunctional metal that Rusal promotes. Last year's completion of the aluminium-based superstructure for Russia's largest flat-bottomed passenger ship made national headlines. (It didn't hurt that the 141-meter Peter the Great, which will ply the rivers of the Caspian region, was commissioned by Putin.) State television has also touted the Rusal-supplied bridges that the Siberian city of Krasnoyarsk erected for the 2019 Winter Universiade, an international sporting and cultural event. In Moscow, it's been aluminium walkways along the Yauza River and a new aluminium overpass at the zoo that've been hailed.

Aluminium consumption in Russia has been growing much faster than the overall economy, about 6% a year since 2015. But at 7.5 kilograms per capita, demand is still only about a third of what it is in the US, China, Germany and other countries that have been quicker to adapt to developments in the industry, according to Alexey Rubtsov, a spokesman for the Aluminium Association.

"Only now are the watchdogs reviewing their attitudes toward aluminium and alloys," Rubtsov said. "Some of our regulations haven't been updated since the Soviet era."

Still, Putin hasn't given Deripaska carte blanche. Several of the tycoon's proposals to goose the pace of growth have been rejected, at least for now, officials familiar with the matter said.

And formidable obstacles remain for Rusal to regain market share – and the trust of investors. Rusal's Hong Kong-listed stock values the company at about $6.3bn, less than half its pre-sanctions peak, even after gaining more than 25% since the start of the year.

But Rusal, with help from Russian regulators, has more avenues for potential growth now than it did nine months ago, according to Boris Krasnojenov, head of research at Alfa Bank in Moscow.

"As the sanctions saga made clear, raising the ratio of domestic sales is strategically important for Rusal," he said.

Global credit impulse is falling again on policy normalisation

By Christopher Dembik

The global credit impulse is falling again, mainly in developed-market economies and due largely to the normalisation of monetary policy. The message from the slower credit impulse is that growth and domestic demand are headed for a slowdown, unless the world's largest economies launch a massive co-ordinated intervention in 2019.

Global credit impulse — the second derivative of global credit growth and a major driver of economic activity — is falling again, running at 3.5% of GDP versus 5.9% in the previous quarter. Currently, half of the countries in our sample, representing 69.4% of global GDP, have experienced a deceleration in credit impulse.

With some notable exceptions, such as the US, Japan and the UK, lower credit impulse is mostly observed in developed markets while emerging markets experience a significant increase in the flow of new credit. Higher credit impulse in EM countries can be interpreted as a direct consequence of the measures taken to support economic activity to face ongoing headwinds (lower liquidity, higher USD funding costs and deteriorated financing conditions).

By contrast, the more negative trend observed in DM countries is largely due to the normalisation of monetary policy.

In the euro area, credit impulse is still subdued and close to zero, indicating that a new and more restrictive credit cycle has just begun. The message from the global credit impulse is basically that growth and domestic demand, which is highly correlated to credit impulse, are doomed to decelerate, unless a massive coordinated intervention of the world's largest economies occurs in 2019.

China, the global credit engine

Like in the previous quarter, China is the main positive contributor to global credit impulse. Excluding China, the global credit impulse would come close to zero. China's stimulus represents 34% of global growth, which is equivalent to the combined contribution of the US and the eurozone, and about 70% of Asian EM manufacturing growth. China's credit impulse has been revised upward, at 7.4% of GDP in the previous quarter, the highest level since 2013, and is currently slightly lower at 6.6% of GDP. We expect that credit impulse will remain strong in coming quarters as China's focus is moving towards greater economic support to mitigate the impact of trade war. A large-scale fiscal and monetary stimulus is probably off the table given policymakers' worry about yuan stability. However, the likelihood of new market-opening policies, including tariff cuts on more goods and a cut in banks' reserve requirement ratio, is high in the first quarter of 2019.

UK downside risks remain high

The UK's credit impulse has been one of the lowest in the DM countries, but it has recently returned to positive territory. However, the impulse is too little and too late to be optimistic about the UK economy in 2019. Growth is expected to decelerate further, though remain above potential. All the other leading indicators also point to downside risks as Brexit anxiety is mounting. The UK OECD leading indicator, which is designed to anticipate turning points in the economy six to nine months ahead, fell in October for the fifteenth straight month.

The year-on-year rate started the year at minus 0.6%; it now stands at -1.34% – quite a swing over 10 months! In addition, new car registrations, which are viewed as a leading indicator of the wider economy in the UK, have been tracking downwards since 2016, driven by falling consumer confidence. Over the period, new car registrations fell to 2.3mn from 2.7mn – a stunning drop of 15% in just 20 months. The downward trend has accelerated in recent months as the perspective of a no-deal Brexit increased. Though the risk of recession is limited in 2019, our view for the UK economy is very negative since all the possible post-Brexit scenarios will be worse than staying in the European Union.

US economy set to decelerate

As noted earlier, the US credit impulse has rebounded to 0.7% of GDP versus -1.1% of GDP in the previous quarter. This acceleration can be partially explained by strong demand in commercial and industrial loans and leases since the beginning of 2018 and confidence in the economy expressed by strong private investment and linked to Trump's tax reform. However, these factors will not last long and credit impulse along with GDP growth are expected to decline. Our US GDP forecast is below consensus, at 1.9% this year. The acceleration of the slowdown in the housing market – a reliable harbinger of the overall economy – and the slope of the yield curve suggest the economy is not as strong as the US administration believes. Digging into the data, it appears that fear of higher interest rates is one of US households' main concerns. Although it has not yet had a visible impact on consumption – consumer confidence is at a high point – it will negatively affect retail sales and credit flows sooner or later. We are already starting to see weak spots, such as the drop in restaurant sales since last summer, that indicate the US consumer is not in such good shape as it may seem. Bearish signs for the US economy are accumulating and will eventually push the Federal Reserve to pause monetary policy for at least Q1 2019 and even longer if the global economic momentum, led by China, does not improve.

Australia in the crosshairs

Australia's credit impulse is still in contraction, at -1.9% of GDP, and has been since Q3 2016. The country offset the global financial crisis faster than any other DM country by accumulating public and household debt at a fast pace and because credit contraction was smaller than in the US and followed a period of stronger credit expansion, with the credit impulse reaching a high of 6.8% of GDP before the crisis. But debt-fuelled growth cannot last forever, and it's now time for the payback. 2019 will be a year full of dangers for the Australian economy as it will face the repercussions of China's slowdown, and it will probably have to deal with more restrictive lending conditions following the recommendations of the royal commission's report (due on February 1, 2019), which could add price pressure in the country's property binge. In many cities, such as Sydney and Melbourne, mortgage repayments are above the risk zone (30% of average earnings).

Japan heading for a slowdown

Japan's credit impulse has been in negative territory since the end of 2017, and it is just now slightly back in expansion phase, at only 0.07% of GDP. This drop followed a two-year period of strong credit growth that started in 2016 and that helped to support the economy, through private investment and consumption, until now.

Over the past years, in the context of a strong yen, Japan became less dependent on foreign demand, which should help mitigate the impact of the US-led trade war in the future. But now that the flow of new credit is drying up, we should expect lower growth in 2019 and 2020. Growth deceleration will also be furthered by the planned October 2019 consumer tax hike. But, like with previous hikes, the risk to growth is likely to be ephemeral and mostly noticeable in the third quarter of 2019. Last, but not least, there is not much to expect from the Bank of Japan this year as it should stay on hold since reflation is nowhere in sight.

■ *Christopher Dembik is head of macro analysis at Saxo Bank.*

Want a hot stock tip? Watch Trump's State of the Union speech

Bloomberg
New York

Clues on trade policy are likely to be top of mind for stocks investors watching President Trump's State of the Union speech tomorrow. Trade remarks may influence equity sectors from footwear to auto parts and pharma stocks may be volatile if the president zeros in on drug costs reforms, while financials and housing are likely to be overlooked.

Trump is expected to reference a few areas "where both parties can agree" – including prescription drug prices and infrastructure plans – "but it is difficult to imagine the rhetoric turning into reality when Washington has struggled to keep the lights on," Compass Point's Isaac Boltansky tells Bloomberg.

Boltansky expects the speech to focus on "economic growth, immigration, a few bipartisan mirages and the wall." Still, this year's speech may mean less for investors than it has in prior years, as the State of the Union has become "more pomp than policy," he said. Height Capital Markets's Clayton Allen expects Trump will "aggressively claim concessions from the Chinese," while discussing with the European Union are a "dark horse," as "everyone seems to have let this go to the back burner, but there is still a lot of potential tension."

Allen also expects additional threats to pull out of Nafta in an attempt to force Congressional support for the USMCA, and "aggressive rhetoric around Venezuela, but no announcement of additional actions."

Trade is likely to occupy "a substantial portion" of the speech, as legislative action from Congress during the next two years is unlikely, so Trump needs to prioritise "areas where he can enact change unilaterally," Veda Partners director of economic policy research Henrietta Treyz says. She expects Trump to "leave the door open for further tariffs … but message that progress is being made."

It's also possible Trump may focus on the USMCA in a bid for "flashy, attract headlines" that would trigger the "combustible momentum you'd need to get action from the House or Senate before July 2019," Treyz said.

The president may also indicate his willingness to impose tariffs on foreign automobile imports in an effort to "shore up the automobile industry to protect our national security." If Trump mentions Nafta, automakers and parts suppliers will be the names to watch: General Motors, Ford, and Dorman Products, Visteon Corp, Delphi Technologies, American Axle & Manufacturing, Standard Motor Products, Aptiv and Cooper-Standard. Regarding relations with China, keep an eye on industrial companies Caterpillar and Boeing Co.

Commodity investors may find comments on trade talks with China of particular interest, as industrial metals, such as copper, have been whipsawed by concerns over demand from China as the trade war stings.

They'll be looking for hints ahead of Trump's March 1 "hard deadline" in trade negotiations, and China's Vice Premier Liu He's upcoming Washington meetings.

If Trump can assure the US and China are moving closer to a trade deal, "apparel and footwear companies will rally" as the probability of tariffs on finished goods eases, Bloomberg Intelligence's Chen Grazutis said. That might also mean China's economy will return to faster growth, "a positive for global brands that are counting on sales there." Companies including Nike, Under Armour, Canada Goose Holdings, VF Corp, Abercrombie & Fitch, Gap, Ralph Lauren Corp, and PVH Corp are a few apparel and footwear stocks with tariff exposure or that seek to expand in China.

Infrastructure will be a big area to watch as Trump is said to make a renewed push for spending in the sector, widely seen as a rare spot of bipartisanship in Washington. While the topic had been sidelined amid raging debates over tax reform and immigration, many experts see a plan making some inroads this year. Stocks to watch include Eagle Materials, Martin Marietta Materials, Emerson Electric, Eaton, Masco, Vulcan Materials, as well as railroad and airline companies.

Alpha Partners' Byron Callan said the address is an opportunity to highlight infrastructure as something to get done in 2019 after two years of little or no progress.

Trump is likely to tout his administration's long-awaited proposal to end a complex system of drug rebates that's been blamed for helping keep prices high. The measure, announced on Thursday, could hand the president a potential win on drug pricing if passed.

Besides directly targeting middlemen like pharmacy benefit managers, the policy is a "clear negative" for makers of expensive drugs that use rebates to fend off competition from cheaper alternatives, said Veda Partners analyst Spencer Perlman. Sell-side analysts at Wall Street firms had mixed reactions as health-care supply chain stocks fell on Friday.

"Trump's defence spending priorities will be interesting to watch because we're still really trying to gauge where he stands," James Bach, Bloomberg Intelligence government analyst said. In general, "Trump has overseen some pretty significant increases in discretionary appropriations. There hasn't been a lot of noise around cutting spending as of late, so it would be notable if he does bring this up." Stocks to watch include Lockheed Martin Corp, Raytheon Co, Northrop Grumman Corp, General Dynamics Corp and Boeing.

Trump may flag sanctions on Venezuela's state-owned oil company PDVSA that effectively block the nation from exporting crude to the US That's left US-based refiners including Valero Energy Corp searching for alternative sources of heavy crude oil. Goldman Sachs recently noted Valero, Citgo, PBF Energy and Marathon Petroleum Corp are the main US refiners exposed to Venezuelan crude imports.

"We're not expecting President Trump to really focus or provide new views for the financial sector," Bloomberg Intelligence's Nathan Dean said. Trump is likely to "be content to let regulators continue their path towards regional bank de-regulation."

Housing probably won't be "one of Trump's hottest topics" during the speech, Bloomberg Intelligence's Ben Elliott said.

Rates experts work to decode enigma of Fed balance-sheet pivot

Bloomberg
New York

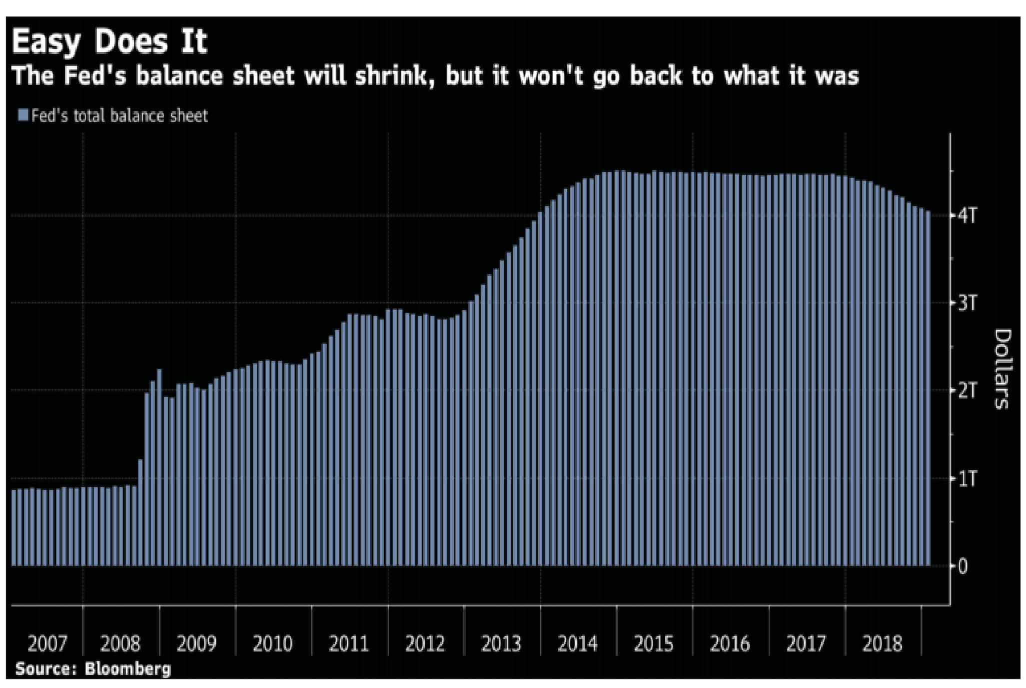
As equity investors cheer the Federal Reserve's newfound caution towards shrinking the balance sheet, rates traders are still working to decode its implications.

In the fed funds market, a gentler-than-expected unwind of the central bank's $4tn portfolio reduces the likelihood that policy makers will lose control of their key target. But the sudden pivot also forces traders to rethink views on all sorts of markets and metrics, from repurchase agreements and Treasury bills to Libor and the yield curve.

Some of these markets may be affected indirectly. Balance-sheet policy changes may have knock-on effects on US government issuance, or implications for the Fed's dominant policy lever, the target range for interest rates. And since policy makers have offered no details on the balance sheet's ultimate size, or when it will get there, investors have few hard numbers to play with. Street projections for the end of the unwind now range from a few months from now to well into 2020.

"I don't think anyone can predict with a high degree of certainty how quantitative tightening is going to end," said Stewart Taylor, who helps manage $8.1bn in fixed-income assets at Eaton Vance in Boston. "It's all a big ball of confusion." Still, one area where market veterans expect to see a material impact is in the repo market.

As the balance-sheet unwind slowly drains liquidity from the financial system, some are already suggesting bank reserves are starting to become scarce. That may be forcing firms to tap additional funding and – combined with a surge in T-bill issuance – contributing to a rise in money-market rates. An earlier-than-anticipated end to the rundown would likely avert strains in the key funding market, the thinking goes.



Rising repo rates have also forced other short-term rates higher, including commercial paper and Libor. As reserves become more abundant, the upward pressure on CP and the London interbank offered rate relative to the effective fed funds rate should also start to wane.

Investors at the shortest end of the Treasury market may likewise benefit if the central bank decides to maintain a larger-than-expected portfolio. The Fed's unwind has forced the Treasury Department to make up for the lost funding by selling more debt to the public, predominantly bills. Reduced supply pressures should help ease rates.

Moreover, some analysts actually expect the Fed to become a buyer of bills once again as policy makers look to keep the balance sheet steady while allowing holdings of mortgage-backed securities to fully roll off. That said, the supply outlook for the coming months remains clouded as the debt-ceiling debate heats up, and the Treasury is required to pare its cash balance ahead of the March 1 reinstatement deadline.

Less T-bill issuance due to an early end to the rundown should also help alleviate much of the upward pressure on the effective fed funds rate, given supply is another key contributor to the drift higher in money-market rates. As bills and short-term assets have become more attractive alternatives to lending reserves to other banks, reduced interbank funding has pushed the policy rate higher.

In June and again in December, to maintain control of a fed funds rate that had climbed to within just five basis points of their target band's ceiling, officials took the unprecedented step of reducing how much they pay on excess reserves that deposit banks keep at the Fed relative to the upper bound of the range. A policy of more abundant reserves may make a third tweak less likely.

"All things being equal, an early end to the rolloff reduces the chance that short-term rates would have spiked" over the interest the Fed pays on banks' excess reserves, said Joseph Abate, a Barclays money-market strategist.

"The concern was that if you pulled out too much liquidity, you would create upward pressure on repo and funding rates," he said. "Now that the Fed has indicated that it wants to accommodate bank demand for reserves, there's less of a risk of that happening." Curve Ball Asset managers are also parsing the Fed's balance-sheet plans – and what they signal for interest rates – as potential cues for yield-curve steepening trades.

"An early end to the runoff will be viewed in a very positive light," as it would point to a central bank on the verge of easing, said Eaton Vance's Taylor. He sees short-dated Treasury securities benefiting versus longer maturities, causing the yield curve to steepen.

The Fed's balance-sheet policy may also more directly support the case for a steeper curve. Minutes of the Fed's December policy meeting showed several members favoured maintaining "a portfolio of holdings weighted toward shorter maturities," which would preserve the Fed's ability to curb benchmark borrowing costs in the next downturn by buying longer-dated securities.

"If the Fed's focusing on short-term securities, that would imply at the margin a steeper curve," said Jabaz Mathai, Citigroup Global Markets' head of US rates strategy. "That also gives the Fed flexibility if they need sometimes to engage in Operation Twist."

US banks find other targets with big acquisitions still on ice

Bloomberg
New York

Shareholder scepticism, stock-price swings and regulatory scrutiny have all put a chill on regional banks merging with each other. They've been less shy about buying non-bank firms.

US banks' acquisitions of non-bank companies – anything from fintech firms to trading shops – have more than doubled in the last 12 months, according to data compiled by Bloomberg. In just the last month, PNC Financial Services Group Inc agreed to buy an investment bank, KeyCorp announced a deal for a digital lender and US Bancorp acquired a payments-software company.

Buying financial-technology companies or fee-based businesses like wealth management can help regional banks boost offerings as they seek to compete with giants like JPMorgan Chase & Co. Citizens Financial Group Inc, for example, announced acquisitions last year in both mortgages and wealth management.

Chief executive officer Bruce Van Saun said he's looking for more deals this year, potentially including an M&A shop.

"The regional-bank M&A market has been pretty tepid over the last 12 months," said Sven Mickisch, a partner at law firm Skadden Arps Slate Meagher & Flom who specialises in banking and financial regulation. Negative stock reaction "has impacted the confidence of would-be acquirers to do these types of deals."

Regulatory scrutiny, capital rules and swinging valuations have proved a challenge for banks seeking to merge or buy each other. Non-bank acquisitions are "nice tuck-ins" that won't ultimately affect regional banks' decisions to take part in larger deals when the time is right, Mickisch said.

"This very negative market reaction has perhaps taken over as the principle obstacle to consolidation," Rodgin Cohen, a Wall Street lawyer at Sullivan & Cromwell, said in an interview.

When Cincinnati, Ohio-based Fifth Third Bancorp agreed in May to buy MB Financial Inc for $4.7bn– the biggest announced US bank merger in the past three years – the stock slumped the most in almost two years. Through Wednesday, it was still down 19% since the deal was announced.

"US regional banks stand to shed capital restrictions as well as Volcker Rule compliance costs and to have an easier time meeting mandated stress tests in 2019 under several regulatory proposals", says Nathan R Dean, senior government analyst, and Ben Elliott, government analyst, Bloomberg Intelligence.

Easing regulations and the 2017 tax cuts could yet bring about a round of deals by US banks, which number more than 5,000, as they seek scale to compete for clients and technology.

Those in the industry said that a round of regional bank mergers is a question of when, not if.

Sharon Dogonniuck, a senior managing director of banking and capital markets at Ernst & Young LLP, said in an interview last month that she "absolutely" expects larger deals in 2019.

Calmer markets to start the year and a positive stock reaction to a Chemical Financial Corp and TCF Financial Corp merger announced last week may pave the way for these deals to come to fruition.

Sugar stockpiles keep bulls in check as Green Pool sees deficit

Bloomberg
New York

Giant sugar stockpiles should prevent a significant rally in prices even as the global market swings to a deficit next season.

That's according to Green Pool Commodity Specialists, which expects a supply shortage of 1.4mn tonnes in the 2019-20 season that starts in October.

Global output will decline for a second year as low prices curb the incentive to produce more, while consumption will expand, the influential researcher said.

The first forecast for 2019-20 comes after two years of surpluses that boosted reserves, with a peak of 97mn tonnes expected this season.

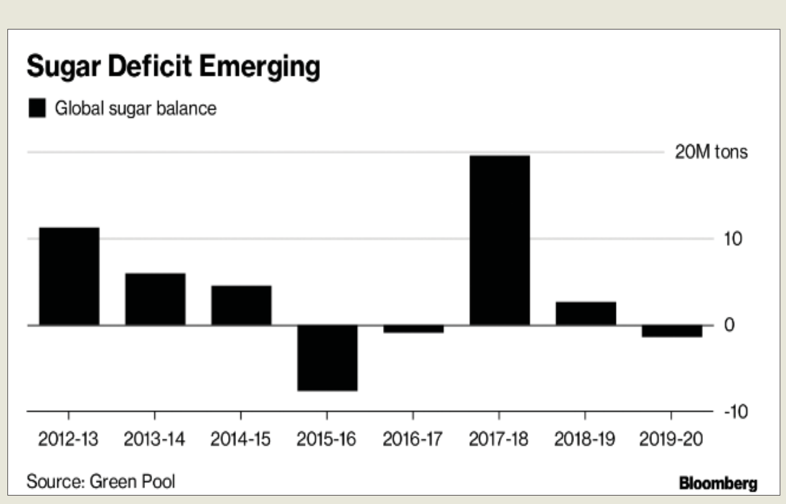
That's more than half annual global consumption. The pile will keep a lid on futures that plunged to a decade-low in New York last year, said Tom McNeill, director at Brisbane, Australia-based Green Pool.

"The main overhang in the market is that firstly there are large stocks and therefore the necessity to buy is quite low," McNeill said by phone on Friday.

"India has plenty of stocks, so were the market to rally a couple of cents, everyone expects that Indian sugar would come out."

While some reserves are in countries that are unlikely to release them, such as China, a large chunk is easily accessible should prices rise, McNeill said. India will churn out a record 33.5mn tonnes this season, Green Pool forecasts, acknowledging that some analysts recently pared back their expectations for production.

"The Indian industry has a big incentive to talk down the current crop because that is weighing on the market, particularly as there are large export subsidies and the government has a big incentive to try and get export sugar out," he said.



Still, Indian shipments have been slow to pick up even though prices have reached levels where exports "make sense," McNeill said. That may be because some expect millers to be able to put pressure on the government to support the domestic market ahead of this year's election. Green Pool is currently forecasting output in the season that starts in October may shrink to 29.5mn tons. A poor monsoon season could still change that.

In Brazil, where the season starts early in April, traders are closely watching dry weather in the center south, the main cane-growing region.

While it's still too early to forecast any declines in the cane crop as a result, there could be a significant impact if the lack of rain persists into the start of the harvest and through April or May, McNeill said.

For now, production in the centre south is forecast to rise to 29.6mn tonnes from 26.6mn tonnes in 2018-19 as plunging ethanol prices mean millers will go back to producing more sugar. For the new season, sugar is already more profitable than ethanol, McNeill said.

"Ethanol prices in Brazil are under a lot of pressure and that's likely to continue well into mid-year," he said.

Still, there are signs the global sugar market is turning the corner, with higher grain prices expected to curb beet plantings in the European Union and a drop in production forecast for some countries. Next season's small global deficit would compare with a surplus of 2.6mn tonnes expected for the current season, according to Green Pool.

EU sugar-beet plantings to drop 5% to 1.58mn hectares in 2019-20. The region's output this season may total 16.9mn tonnes.

Thai output seen at 13.8mn tonnes this season, down 6% from a year earlier.

Global surplus estimate for 2018-19 cut from 3.6mn tonnes. Millers in Brazil's centre south to direct 39.3% of cane to ethanol in 2019-20, up from 35.3% a year earlier.

BUSINESS

QATAR

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	121.00	0.83	26,824
Widam Food Co	68.13	0.18	943
Vodafone Qatar	8.38	0.12	682,892
United Development Co	16.78	-0.06	123,538
Salam International Investme	5.09	1.80	35,971
Qatar & Oman Investment Co	6.01	0.00	44,572
Qatar Navigation	69.25	0.36	4,269
Qatar National Cement Co	73.56	-0.66	28,181
Qatar National Bank	196.00	-1.01	69,865
Qatar Islamic Insurance	56.50	0.00	-
Qatar Industrial Manufactur	43.90	-0.09	868
Qatar International Islamic	68.86	0.03	130,461
Qatari Investors Group	27.00	1.24	28,032
Qatar Islamic Bank	157.01	-0.63	17,740
Qatar Gas Transport(Nakilat)	19.65	-1.70	448,564
Qatar General Insurance & Re	44.00	-5.98	3,151
Qatar German Co For Medical	6.34	1.77	24,385
Qatar Fuel Qsc	181.98	-0.82	169,535
Qatar First Bank	4.11	-0.48	470,749
Qatar Electricity & Water Co	187.00	-0.52	13,378
Qatar Exchange Index Etf	105.75	-0.38	1,135
Qatar Cinema & Film Distrib	15.83	0.13	22
Al Rayan Qatar Etf	25.15	0.00	-
Qatar Insurance Co	38.52	-1.21	65,049
Ooredoo Qpsc	76.00	0.13	31,637
National Leasing	9.17	-0.33	15,267
Mazaya Qatar Real Estate Dev	7.66	2.68	351,821
Mesaieed Petrochemical Holdi	15.58	-2.13	210,985
Al Meera Consumer Goods Co	149.50	-0.99	14,989
Medicare Group	65.61	-0.17	35,718
Mannai Corporation Qsc	57.64	2.91	50
Masraf Al Rayan	40.90	0.25	270,916
Al Khalij Commercial Bank	11.60	0.87	5,697
Industries Qatar	144.50	0.63	4,258
Islamic Holding Group	22.97	3.38	32,416
Investment Holding Group	5.34	0.19	98,032
Gulf Warehousing Company	43.00	0.92	102,309
Gulf International Services	16.67	-0.12	151,014
Ezdan Holding Group	16.10	3.01	334,755
Doha Insurance Co	12.28	-0.16	5,313
Doha Bank Qpsc	21.14	0.00	200,809
Dlala Holding	10.12	1.71	41,235
Commercial Bank Pqsc	42.44	-0.02	18,788
Barwa Real Estate Co	40.65	-0.20	66,871
Al Khaleej Takaful Group	9.79	4.71	3,150
Aamal Co	9.69	0.21	84,710

SAUDI ARABIA

Company Name	Lt Price	% Chg	Volume
United Wire Factories Compan	16.50	1.23	73,374
Etihad Etisalat Co	18.10	0.44	1,482,411
Dar Al Arkan Real Estate Dev	10.10	1.00	15,843,376
Alawwal Bank	16.24	-1.58	369,823
Rabigh Refining And Petroche	20.14	0.00	488,381
Banque Saudi Fransi	35.95	-2.84	504,894
Saudi Enaya Cooperative Insu	15.04	-0.79	1,109,818
Mediterranean & Gulf Insuran	15.44	0.39	250,445
Saudi British Bank	36.15	-1.77	168,861
Red Sea International Co	15.98	-0.13	1,297,558
Takween Advanced Industries	9.89	-0.40	327,610
Sabb Takaful	17.90	-0.22	192,960
Saudi Arabian Fertilizer Co	83.80	-0.59	124,044
National Gypsum	12.18	-0.16	113,965
Saudi Ceramic Co	20.48	0.89	171,096
National Gas & Industrializa	29.35	-0.84	38,428
Saudi Pharmaceutical Industr	28.95	0.17	111,683
Thimar	25.80	-0.58	69,127
National Industrialization C	16.00	-0.12	1,143,067
Batic Investments And Logist	37.75	-0.26	60,860
Saudi Electricity Co	16.96	-2.53	2,921,870
Saudi Arabia Refineries Co	42.25	-0.59	402,909
Arriyadh Development Company	18.42	0.44	84,138
Al-Baha Development & Invest	21.46	-0.09	198,376
Saudi Research And Marketing	86.40	0.12	122,003
Aldrees Petroleum And Transp	34.95	-0.29	83,827
Saudi Vitrified Clay Pipe Co	50.10	0.00	9,536
Jarir Marketing Co	152.00	-0.52	97,405
Arab National Bank	37.10	-1.33	189,082
Yanbu National Petrochemical	69.10	0.29	426,967
Arabian Cement	24.24	-1.46	172,805
Middle East Specialized Cabl	12.52	-2.19	337,994
Al Khaleej Training And Educ	13.82	0.00	395,933
Al Sagr Co-Operative Insuran	12.20	-1.29	274,471
Trade Union Cooperative Insu	0.00	0.00	-
Arabia Insurance Cooperative	16.04	0.25	107,462
Saudi Chemical Company	32.75	-1.36	83,213
Fawaz Abdulaziz Alhokair & C	21.20	0.00	388,930
Bupa Arabia For Cooperative	85.50	1.06	106,114
Wafa Insurance	9.50	0.00	-
Jabal Omar Development Co	35.10	0.29	890,709
Saudi Basic Industries Corp	122.20	-0.49	1,930,596
Saudi Kayan Petrochemical Co	14.02	0.57	6,921,236
Etihad Atheeb Telecommunicati	5.35	0.00	-
Co For Cooperative Insurance	61.30	-0.16	39,573
National Petrochemical Co	27.25	-0.91	43,299
Gulf Union Cooperative Insur	13.90	-0.86	76,606
Gulf General Cooperative Ins	13.30	-0.30	91,142
Basic Chemical Industries	23.10	-0.09	98,070
Saudi Steel Pipe Co	26.80	9.84	5,170,360
Buruj Cooperative Insurance	22.62	-0.62	90,744
Mouwasat Medical Services Co	75.10	-0.53	85,472
Southern Province Cement Co	41.25	-0.96	121,705
Maadaniyah	17.98	1.01	65,835
Yamama Cement Co	14.04	-0.85	441,666
Jazan Energy And Development	13.84	-0.86	489,721
Zamil Industrial Investment	18.50	0.87	183,638
Aljouf Agriculture Development	22.94	-0.26	482,847
Tabuk Agricultural Developme	10.30	0.00	106,089
United Co-Operative Assuranc	11.52	-0.69	81,502
Qassim Cement/The	36.20	-0.82	51,532
Saudi Advanced Industries	14.40	0.56	480,104
Kingdom Holding Co	8.08	0.75	132,933
Saudi Arabian Amiantit Co	7.24	1.40	4,414,574
Al Jouf Agriculture Developm	21.90	-1.26	28,875
Saudi Industrial Development	8.80	-0.34	578,771
Riyad Bank	22.46	-0.88	332,044
The National Agriculture Dev	28.10	0.00	210,308
Halwani Bros Co	45.80	2.58	245,782
Arabian Pipes Co	11.26	7.65	4,971,361
Eastern Province Cement Co	24.00	-2.83	396,812
Al Gassim Investment Holding	10.96	0.37	110,829
Filing & Packing Materials M	34.40	0.88	42,729
Saudi Cable Co	47.35	-3.86	1,438,256
Tihama Advertising & Public	44.50	1.48	556,712
Saudi Investment Bank/The	20.32	-0.88	96,244
Astra Industrial Group	16.62	0.48	39,854
Saudi Public Transport Co	14.58	-0.27	607,026
Taiba Holding Co	28.90	0.00	43,215
Saudi Industrial Export Co	83.40	-1.88	247,122
Saudi Real Estate Co	12.80	0.47	516,499
Saudia Dairy & Foodstuff Co	100.00	0.00	42,202
National Shipping Co Of/The	31.80	0.16	447,141
Methanol Chemicals Co	9.73	0.83	897,894
Chubb Arabia Cooperative Ins	19.10	0.53	82,521
Mobile Telecommunications Co	9.24	-1.28	2,959,421
Saudi Arabian Coop Ins Co	11.46	-0.52	131,088
Axa Cooperative Insurance	23.42	0.17	81,225
Alsorayai Group	14.04	-0.14	440,770
Bank Albilad	29.25	-0.34	506,124
Al-Hassan G.I. Shaker Co	8.72	-1.25	628,876
Wataniya Insurance Co	24.36	-0.57	290,165
Abdullah Al Othaim Markets	68.80	-0.43	54,784
Hail Cement	8.25	-0.96	390,852
Saudi Re For Cooperative Rei	8.20	0.74	823,195
Solidarity Saudi Takaful Co	16.86	-0.59	284,163
Amana Cooperative Insurance	18.48	-2.94	1,812,255
Alabdullatif Industrial Inv	11.60	1.22	233,874
Saudi Printing & Packaging C	16.74	0.24	335,510
Saudi Paper Manufacturing Co	13.18	-0.30	211,462
Alinma Bank	24.20	0.25	4,535,672
Almarai Co	55.00	1.85	89,823
Falcom Saudi Equity Etf	33.60	0.00	384,346
United International Transpo	29.10	3.56	1,201,225
Hsbc Amanah Saudi 20 Etf	30.60	0.00	-
Saudi International Petroche	19.04	0.21	154,448
Falcom Petrochemical Etf	32.00	0.00	40
Walaa Cooperative Insurance	23.42	0.43	77,173
Bank Al-Jazira	16.72	-0.24	1,502,156
Al Rajhi Bank	101.20	0.00	1,802,941
Samba Financial Group	36.45	0.41	310,504
United Electronics Co	60.30	-0.33	151,475
Allied Cooperative Insurance	22.40	0.00	309,427
Malath Insurance	12.04	-0.82	698,820
Alinma Tokio Marine	16.30	-0.85	159,808
Arabian Shield Cooperative	18.80	-0.74	310,684
Savola	32.40	-0.43	277,905
Wafrah For Industry And Deve	15.80	-0.50	121,711
Fitaihi Holding Group	11.06	0.18	79,240
Tourism Enterprise Co/ Shams	31.00	-0.32	67,439
Sahara Petrochemical Co	15.50	0.13	587,112
Herfy Food Services Co	48.00	0.00	12,026
Saudi Ind Investment Group	23.46	0.69	219,891
Salama Cooperative Insurance	16.76	-1.06	1,298,617
Emaar Economic City	9.44	0.96	4,257,710
Alahli Takaful Co	29.30	0.00	179,879
Anaam International Holding	13.28	-0.90	181,913
Saudi Telecom Co	99.80	-0.60	122,950
Al Alamiya Cooperative Insur	34.60	0.00	95,894
Saudi Industrial Services Co	11.92	0.68	569,183
Al-Ahsa Development Co.	10.30	-1.90	267,342
National Co For Glass In/The	18.52	-0.86	34,815
Dur Hospitality Co	19.68	1.13	81,515
Tabuk Cement Co	12.46	-2.81	183,505
Sasco	16.54	0.24	357,870
Saudi Cement	54.60	-4.38	102,417
Aseer Trading Tourism & Manu	9.80	0.62	325,830
Nama Chemicals Co	28.00	-0.53	150,457
Saudi Arabian Mining Co	54.50	-0.91	166,042
Yanbu Cement Co	28.00	0.00	222,075
Saudi Fisheries	69.70	1.75	1,561,771
Ash-Sharqiyah Development Co	50.70	-0.39	82,007
Makkah Construction & Devepl	76.30	0.79	93,947
Al Jouf Cement	7.99	-0.75	636,397
Abdullah A.M. Al-Khodari Son	7.04	0.43	2,236,458
Knowledge Economic City	9.67	0.42	630,762
Al-Ahlia Cooperative Insuran	11.14	-0.36	94,589
Al Rajhi Co For Co-Operative	70.90	-0.28	88,357
Advanced Petrochemicals Co	54.80	-0.72	117,558
Al Babtain Power & Telecommu	20.64	-0.58	110,258
Allianz Saudi Fransi Coopera	31.25	1.13	191,880
Najran Cement Co	8.52	-1.05	693,677
Al Tayyar Travel Group	22.80	-0.87	330,204
National Commercial Bank	51.50	0.00	428,617

KUWAIT

Company Name	Lt Price	% Chg	Volume
Sultan Center Food Products	52.90	-1.49	589,442
Kuwait Foundry Co Sak	249.00	3.75	100
Kuwait Financial Centre Sak	99.90	0.00	25
Ajial Real Estate Entmt	145.00	-0.68	5,195
Kuwait Finance & Investment	37.00	-2.63	105,000
National Industries Co Kscc	190.00	1.06	25,000
Kuwait Real Estate Holding C	31.00	0.00	18,600
Securities House/The	52.90	0.00	1,039,480
Boubyan Petrochemicals Co	915.00	-2.35	238,000
Al Ahli Bank Of Kuwait	304.00	0.00	767
Ahli United Bank (Almutahed)	301.00	0.00	131,260
National Bank Of Kuwait	858.00	-1.15	3,481,659
Commercial Bank Of Kuwait	500.00	0.00	66,226
Kuwait International Bank	292.00	0.69	1,757,819
Gulf Bank	274.00	-2.14	27,581,621
Al-Massaleh Real Estate Co	38.00	-2.31	245,900
Al Arabiya Real Estate Co	31.00	1.97	102,366
Kuwait Remal Real Estate Co	40.80	1.49	345,000
A'ayan Real Estate Co Sak	63.40	-0.47	512,550
Investors Holding Group Co.K	12.70	-0.78	2,909,256
Al-Mazaya Holding Co	71.70	-0.14	594,933
Al-Madar Finance & Invt Co	163.00	0.00	468,400
Gulf Petroleum Investment	30.10	1.90	8,880,882
Mabanee Co Sakc	620.00	-0.32	200,040
Inovest Co Bsc	85.80	0.00	325,001
Al-Deera Holding Co	19.40	0.00	32,650
Mena Real Estate Co	43.60	5.83	6,439,675
Amar Finance & Leasing Co	39.00	0.00	750
United Projects For Aviation	630.00	0.64	10
National Consumer Holding Co	65.00	0.00	1
Amwal International Investme	0.00	0.00	-
Equipment Holding Co K.S.C.C	30.80	0.00	115,094
Arkan Al Kuwait Real Estate	89.00	1.14	18,000
Gfh Financial Group Bsc	80.80	1.76	4,491,070
Energy House Holding Co Kscp	37.40	-0.27	23
Kuwait Co For Process Plant	230.00	-1.71	74,888
Al Maidan Dental Clinic Co K	0.00	0.00	-
National Shooting Company	16.10	-4.17	930,062
Al-Ahleia Insurance Co Sakp	427.00	0.00	250
Wethaq Takaful Insurance Co	40.10	-5.65	705,610
Salbookh Trading Co Kscp	39.50	-10.23	423,108
Aqar Real Estate Investments	64.50	0.00	6,500
Hayat Communications	68.90	0.00	90
Soor Fuel Marketing Co Ksc	119.00	0.85	52,413
Tamkeen Holding Co	9.00	0.00	201
Burgan Co For Well Drilling	102.00	0.00	4,000
Kuwait Resorts Co Kscc	62.20	3.15	24,287
Oula Fuel Marketing Co	116.00	0.00	71,352
Palms Agro Production Co	47.00	0.00	10,000
Mubarrad Holding Co Ksc	73.80	3.22	1,300,000
Shuaiba Industrial Co	153.00	0.00	160
Aan Digital Services Co	17.00	-2.30	531,417
First Takaful Insurance Co	42.00	0.00	4,100
Kuwaiti Syrian Holding Co	42.00	0.00	75,050
National Cleaning Company	57.90	1.40	204,176
United Real Estate Company	58.00	-1.69	76,169
Agility	771.00	-0.39	709,424
Kuwait & Middle East Fin Inv	50.80	8.09	886,830
Fujairah Cement Industries	55.50	-2.29	228,526
Livestock Transport & Trading	190.00	0.00	57,243
International Resorts Co	21.00	0.00	58,150
National Industries Grp Hold	167.00	0.00	4,396,040
Warba Insurance Co	66.00	4.76	23,366
First Dubai Real Estate Deve	38.60	-0.77	107,931
Al Arabi Group Holding Co	63.00	-3.08	20,000
Mobile Telecommunications Co	459.00	-0.22	416,322
Effect Real Estate Co	15.10	0.00	71,088
Tamdeen Real Estate Co Ksc	348.00	0.00	287
Al Mudon Intl Real Estate Co	28.60	-0.69	14,910
Kuwait Cement Co Ksc	335.00	-3.18	1,010
Sharjah Cement & Indus Devel	86.00	0.00	5,100
Kuwait Portland Cement Co	1,150.00	0.00	5,000
Educational Holding Group	320.00	0.00	82,972
Asiya Capital Investments Co	36.60	0.00	30,000
Kuwait Investment Co	131.00	-0.76	256,000
Burgan Bank	291.00	-0.34	1,904,994
Kuwait Projects Co Holdings	202.00	0.00	521,378
Al Madina For Finance And In	24.30	-3.19	1,543,155
Kuwait Insurance Co	385.00	0.00	50
Al Masaken Intl Real Estate	66.00	0.00	30
Intl Financial Advisors	26.00	0.00	3,071,983
First Investment Co Kscc	38.00	0.26	26,668,034
Al Mal Investment Company	20.80	-3.26	602,902
Bayan Investment Co Kscc	48.00	0.63	121,800
Egypt Kuwait Holding Co Sae	380.00	0.00	930
Coast Investment Development	37.80	4.71	6,508,093
Privatization Holding Compan	60.00	-0.83	2,100
Injazzat Real State Company	86.00	0.00	140,500
Kuwait Cable Vision Sak	13.00	0.00	70
Sanam Real Estate Co Kscc	39.50	2.60	106
Ithmaar Holding Bsc	27.50	-1.79	715,443
Aviation Lease And Finance C	325.00	0.00	53,070
Arzan Financial Group For Fi	29.80	8.36	2,768,976
Ajwan Gulf Real Estate Co	18.70	0.00	4,168,594
Kuwait Business Town Real Es	46.30	-0.64	375,100
Future Kid Entertainment And	99.00	0.00	6,000
Specialities Group Holding C	70.90	1.29	200
Abyaar Real Estate Develop	18.10	-3.21	33,185,526
Kgl Logistics Company Kscc	41.50	-1.19	1,082,001
Combined Group Contracting	320.00	-1.84	14,130
Jiyad Holding Co Ksc	66.90	-0.89	136,511
Boubyan Intl Industries Hold	33.90	0.00	1,635,472
Gulf Investment House Ksc	17.10	0.00	723,760
Boubyan Bank K.S.C	574.00	-0.86	186,861
Ahli United Bank B.S.C	236.00	1.72	12,058,824
Osos Holding Group Co	100.00	0.20	42,512
Al-Eid Food Ksc	70.00	-3.58	10,000
Qurain Petrochemical Industr	376.00	-1.05	240,109
Ekttitab Holding Co Sak	20.70	0.00	196,970
Real Estate Trade Centers Co	26.70	-4.64	219,650
Acico Industries Co Kscc	170.00	-2.30	28,100
Kipco Asset Management Co	74.50	1.36	100
National Petroleum Services	883.00	0.00	750
Alimtiaz Investment Group	128.00	-2.29	850,000
Ras Al Khaimah White Cement	74.90	0.94	3,987
Kuwait Reinsurance Co Ksc	115.00	-4.96	5,495
Kuwait & Gulf Link Transport	93.90	0.54	15,001
Humansoft Holding Co Ksc	3,180.00	-0.63	55,872
Automated Systems Co Kscc	108.00	0.00	15,940
Metal & Recycling Co	61.50	0.00	30
Gulf Franchising Holding Co	0.00	0.00	-
Al-Enma'a Real Estate Co	34.90	0.58	60,042
National Mobile Telecommuni	700.00	-1.69	13,942
Unicap Investment And Financ	79.30	0.51	79,800
Al Salam Group Holding Co	33.00	-1.20	282,382
Al Aman Investment Company	50.10	3.30	124,000
Mashaer Holding Co Ksc	73.80	0.41	484,241
Manazel Holding	26.50	-1.85	266,502
Tijara And Real Estate Inves	50.40	8.86	30
Jazeera Airways Co Ksc	740.00	0.00	37,200
Commercial Real Estate Co	91.00	0.22	2,047,014
National International Co	68.00	6.25	231,700
Taameer Real Estate Invest C	27.20	-2.16	693,500
Gulf Cement Co	66.00	0.00	30,725
Heavy Engineering And Ship B	409.00	-2.39	159,008
National Real Estate Co	82.00	0.49	570,000
Al Safat Energy Holding Comp	32.60	-1.21	3,010
Kuwait National Cinema Co	975.00	0.00	227
Danah Alsafat Foodstuff Co	38.90	0.26	5,000
Independent Petroleum Group	415.00	0.00	124,000
Kuwait Real Estate Co Ksc	56.50	0.36	1,166,136
Salhia Real Estate Co Ksc	330.00	0.00	40,000
Gulf Cable & Electrical Ind	376.00	-2.08	65,030
Kuwait Finance House	0.00	0.00	-
Gulf North Africa Holding Co	50.80	-0.39	297,000
Hilal Cement Co	91.00	0.00	1
Osoul Investment Kscc	57.60	0.17	1,614
Gulf Insurance Group Ksc	680.00	3.03	10
Umm Al Qaiwain General Inves	69.20	0.00	10,000
Aayan Leasing & Investment	50.60	4.33	37,332,226
Alrai Media Group Co Ksc	61.90	1.48	28,002
National Investments Co	93.90	-0.53	987,539
Commercial Facilities Co	185.00	0.54	5,033
Yiaco Medical Co. K.S.C.C	85.00	0.00	1,000
Munshaat Real Estate Project	103.00	0.00	50
Noor Financial Investment Co	84.90	-3.08	2,304,879
Al Tamdeen Investment Co	305.00	-3.17	100
Credit Rating & Collection	22.10	0.00	100
Ifa Hotels & Resorts Co. K.S	58.40	3.91	18,321
Sokouk Holding Co Sak	43.80	0.23	2,898,677
Warba Bank Kscp	220.00	0.00	1,198,096
Viva Kuwait Telecom Co	852.00	0.24	11,119
Mezzan Holding Co Kscc	455.00	0.66	3,366

OMAN

Company Name	Lt Price	% Chg	Volume
Voltamp Energy Saog	0.21	0.00	516
Vision Insurance Saoc	0.14	0.00	-
United Power/Energy Co- Pref	1.00	0.00	-
United Power Co Saog	3.30	0.00	232
United Finance Co	0.09	0.00	-
Ubar Hotels & Resorts	0.13	0.00	-
Takaful Oman	0.13	0.00	-
Tageer Finance	0.09	0.00	-
Sweets Of Oman	0.55	0.00	-
Sohar Power Co	0.11	0.00	-
Smn Power Holding Saog	0.24	0.00	-
Shell Oman Marketing - Pref	1.05	0.00	-
Shell Oman Marketing	1.21	-3.20	354,844
Sharqiyah Desalination Co Sa	0.31	0.00	-
Sembcorp Salalah Power & Wat	0.17	0.00	-
Salalah Port Services	0.60	0.00	-
Salalah Mills Co	0.72	0.00	-
Salalah Beach Resort Saog	1.38	0.00	-
Sahara Hospitality	3.09	0.00	-
Renaissance Services Saog	0.34	0.00	-
Raysut Cement Co	0.38	0.00	-
Phoenix Power Co Saoc	0.10	0.00	-
Packaging Co Ltd	2.21	0.00	-
Ooredoo	0.53	0.00	-
Ominvest	0.35	0.00	57,697
Oman United Insurance Co	0.30	-1.97	21,635
Oman Telecommunications Co	0.72	0.00	337
Oman Refreshment Co	1.70	0.00	-
Oman Qatar Insurance Co	0.11	0.00	-
Oman Packaging	0.27	0.00	-
Oman Oil Marketing Company	1.13	0.00	-
Oman National Engineering An	0.16	0.00	-
Oman Investment & Finance	0.08	0.00	-
Oman Intl Marketing	0.52	0.00	-
Oman Flour Mills	0.59	0.00	-
Oman Fisheries Co	0.06	0.00	10,000
Oman Europe Foods Industries	1.00	0.00	-
Oman Education & Training In	0.24	0.00	-
Oman Chromite	3.64	0.00	-
Oman Chlorine	0.33	3.13	90,000
Oman Ceramic Company	0.42	0.00	-
Oman Cement Co	0.29	0.00	-
Oman Cables Industry	0.98	0.00	-
Oman & Emirates Inv(Om)50%	0.10	0.00	-
Natl Aluminium Products	0.34	0.00	-
National Real Estate Develop	5.00	0.00	-
National Pharmaceutical	0.00	0.00	-
National Mineral Water	0.10	0.00	-
National Life & General Insu	0.31	0.00	26,288
National Gas Co	0.25	0.00	5,000
National Finance Co	0.14	0.00	-
National Detergent Co Saog	0.70	0.00	-
National Biscuit Industries	3.92	0.00	-
National Bank Of Oman Saog	0.19	-1.06	389,000
Muscat Thread Mills Co	0.08	0.00	-
Muscat Insurance Co Saog	0.80	0.00	-
Muscat Gases Company Saog	0.20	0.00	555
Muscat Finance	0.09	0.00	45,000
Muscat City Desalination Co	0.13	0.00	-
Majan Glass Company	0.18	0.00	-
Majan College	0.20	0.00	100
Hsbc Bank Oman	0.12	0.82	61,000
Hotels Management Co Interna	1.25	0.00	-
Gulf Stone	0.12	0.00	-
Gulf Mushroom Company	0.31	0.00	-
Gulf Investments Services	0.06	0.00	-
Gulf Invest. Serv. Pref-Shar	0.11	0.00	-
Gulf International Chemicals	0.16	0.00	-
Gulf Hotels (Oman) Co Ltd	9.50	0.00	-
Global Fin Investment	0.08	0.00	-
Galfar Engineering&Contract	0.08	2.74	212,166
Galfar Engineering -Prefer	0.39	0.00	-
Financial Services Co.	0.18	0.00	-
Financial Corp/The	0.10	0.00	-
Dhofar Tourism	0.49	0.00	-
Dhofar Poultry	0.18	0.00	-
Dhofar Intl Development	0.30	0.00	-
Dhofar Insurance	0.17	0.00	-
Dhofar Generating Co Saoc	0.22	-0.92	35,020
Dhofar Fisheries & Food Indu	1.28	0.00	-
Dhofar Cattlefeed	0.15	0.00	-
Dhofar Beverages Co	0.26	0.00	-
Construction Materials Ind	0.03	0.00	-
Computer Stationery Inds	0.26	0.00	-
Bankmuscat Saog	0.41	0.00	4,127
Bank Sohar	0.11	0.00	110,945
Bank Nizwa	0.09	0.00	7,184
Bank Dhofar Saog-Rts	0.00	0.00	-
Bank Dhofar Saog	0.15	-4.38	1,687,313
Arabia Falcon Insurance Co	0.12	0.00	-
Aloula Co	0.53	0.00	-
Al-Omaniya Financial Service	0.20	0.00	-
Al-Hassan Engineering Co	0.02	0.00	-
Al-Fajar Al-Alamia Co	0.75	0.00	-
Al-Anwar Ceramic Tiles Co	0.08	1.35	380,303
Al Suwadi Power	0.10	0.00	-
Al Sharqiya Invest Holding	0.09	0.00	-
Al Maha Petroleum Products M	0.86	0.00	350
Al Maha Ceramics Co Saoc	0.19	0.00	37,313
Al Madina Takaful Co Saoc	0.09	0.00	156,000
Al Madina Investment Co	0.03	3.45	55,851
Al Kamil Power Co	0.38	0.00	-
Al Jazerah Services -Pfd	0.55	0.00	-
Al Jazeera Steel Products Co	0.28	0.00	-
Al Jazeera Services	0.10	0.00	2,100
Al Izz Islamic Bank	0.09	0.00	-
Al Buraimi Hotel	0.88	0.00	-
Al Batinah Power	0.10	0.00	-
Al Batinah Hotels	1.13	0.00	-
Al Batinah Dev & Inv	0.09	0.00	-
Al Anwar Holdings Saog	0.09	-2.27	50,000
Al Ahlia Insurance Co Saoc	0.36	0.00	-
Ahli Bank	0.15	0.00	800
Acwa Power Barka Saog	0.70	0.00	-
Abrasives Manufacturing Co S	0.05	0.00	-
A'saffa Foods Saog	0.60	0.00	-
OMan Oil Marketing Co-Pref	0.25	0.00	-

UAE

Company Name	Lt Price	% Chg	Volume
Waha Capital Pjsc	1.79	-0.56	30,059
United Insurance Company	2.00	0.00	-
United Arab Bank Pjsc	1.20	0.00	-
Union National Bank/Abu Dhab	5.20	0.00	4,390,137
Union Insurance Co	0.90	0.00	-
Union Cement Co	0.00	0.00	-
Umm Al Qaiwain General Inves	0.97	0.00	-
Sudatel Telecome Group Ltd	0.38	-1.83	47,000
Sharjah Islamic Bank	1.22	-0.81	634,000
Sharjah Insurance Company	2.84	0.00	-
Sharjah Group	1.00	0.00	25,000
Sharjah Cement & Indus Devel	1.00	0.00	-
Ras Al-Khaimah National Insu	2.90	0.00	-
Ras Al Khaimah White Cement	1.08	0.00	-
Ras Al Khaimah Ceramics	1.80	0.00	52,786
Ras Al Khaimah Cement Co Psc	0.67	9.67	77,386
Ras Al Khaima Poultry	1.90	0.00	-
Rak Properties	0.47	0.22	154,734
Ooredoo Qpsc	71.00	0.00	-
Oman & Emirates Inv(Emir)50%	0.50	0.00	-
National Takaful Company	0.62	0.00	-
National Marine Dredging Co	4.00	0.00	-
National Investor Co/The	0.58	0.00	-
National Corp Tourism & Hote	1.68	0.00	100,000
National Bank Of Umm Al Qaiw	2.96	0.00	-
National Bank Of Ras Al-Khai	4.10	0.00	108,925
National Bank Of Fujairah	4.80	0.00	-
Methaq Takaful Insurance	0.70	0.00	-
Manazel Real Estate Pjsc	0.40	0.76	380,000
Invest Bank	2.49	0.00	-
Intl Holdings Co Pjsc	0.97	-3.00	35,000
Insurance House	0.85	0.00	-
Gulf Pharmaceutical Ind Psc	1.89	0.00	2,744
Gulf Medical Projects	1.77	0.00	-
Gulf Cement Co	0.75	0.00	-
Fujairah Cement Industries	1.25	0.00	-
Fujairah Building Industries	1.15	0.00	-
Foodco Holding Pjsc	3.71	0.00	-
First Abu Dhabi Bank Pjsc	15.00	1.76	22,675,751
Finance House	1.63	0.00	-
Eshraq Properties Co Pjsc	0.48	-0.21	3,452,649
Emirates Telecom Group Co	16.92	-0.59	2,110,199
Emirates Insurance Co. (Psc)	6.50	0.00	-
Emirates Driving Company	7.10	0.00	-
Dana Gas	0.89	-0.11	2,924,159
Commercial Bank Internationa	0.87	0.00	-
Bank Of Sharjah	0.99	-1.00	717,717
Axa Green Crescent Insurance	0.50	0.00	-
Arkan Building Materials Co	0.50	3.72	2,183,600
Alkhaleej Investment	1.50	0.00	-
Aldar Properties Pjsc	1.56	-1.89	5,938,554
Al Wathba National Insurance	12.76	0.00	-
Al Qudra Holding Pjsc	0.78	5.41	300,000
Al Khazna Insurance Co	0.25	0.00	-
Al Fujairah National Insuran	300.00	0.00	-
Al Dhafra Insurance Co. P.S.	3.60	0.00	-
Al Buhaira National Insuranc	1.99	0.00	-
Al Ain Ahlia Ins. Co.	37.00	0.00	-
Agthia Group Pjsc	4.05	3.85	173,703
Abu Dhabi Ship Building Co	1.00	0.00	-
Abu Dhabi Natl Co For Buildi	0.44	0.00	-
Abu Dhabi National Takaful C	4.40	0.00	-
Abu Dhabi National Oil Co Fo	2.26	-2.16	486,870
Abu Dhabi National Insurance	3.60	0.00	-
Abu Dhabi National Hotels	2.66	0.00	-
Abu Dhabi National Energy Co	1.00	7.42	157,094

BAHRAIN

Company Name	Lt Price	% Chg	Volume
Zain Bahrain Bscc	0.07	0.00	86,430
United Paper Industries Bsc	0.00	0.00	-
United Gulf Holding Bsc	0.00	0.00	-
Solidarity Bahrain Bsc	0.00	0.00	-
Seef Properties	0.21	1.90	41,118
National Bank Of Bahrain Bsc	0.66	-0.75	10,142
Nass Corp Bsc	0.10	3.16	91,368
Khaleeji Commercial Bank	0.07	1.47	166,357
Ithmaar Holding Bsc	0.10	0.00	55,000
Investcorp Bank -$Us	9.70	0.00	500
Gulf Hotel Group B.S.C	0.00	0.00	-
Gfh Financial Group Bsc	0.27	0.00	509,827
Esterad Investment Co B.S.C.	0.11	0.00	29,166
Eskan Bank Realty Income Tr	0.00	0.00	-
Bmmi Bsc	0.77	0.00	20,000
Bbk Bsc	0.45	0.44	81,332
Bahrain Telecom Co	0.30	0.00	22,458
Bahrain National Holding	0.00	0.00	-
Bahrain Kuwait Insurance	0.32	0.00	449,061
Bahrain Islamic Bank	0.14	0.00	89,549
Bahrain Duty Free Complex	0.75	0.00	76,639
Bahrain Commercial Facilitie	0.78	0.00	27,500
Arab Banking Corp Bsc-$Us	0.44	0.00	55,000
Aluminium Bahrain Bsc	0.58	0.00	160,000
Albaraka Banking Group	0.32	0.00	119,724
Al-Salam Bank	0.10	0.00	670,807
Ahli United Bank B.S.C	0.77	1.32	2,641,603

LATEST MARKET CLOSING FIGURES

Australia banks set for major shake-up from landmark inquiry

AFP
Sydney

A major shake-up of Australia's massively profitable banking sector is on the cards as a landmark inquiry into abuses in the financial services industry was set to release its final report as soon as later yesterday.

Sweeping legislative and regulatory changes, a crackdown on the bulging pay packets of bankers and even criminal charges against senior executives could be among the recommendations issued by the royal commission.

Major lenders including the country's "big four" banks — among the developed world's most wealthy — have been under scrutiny in recent years, amid allegations of dodgy financial advice, life insurance and mortgage fraud.

Some unscrupulous brokers were found charging customers long after they were dead.

The wide-ranging inquiry was established in late 2017 to quell public anger over their misbehaviour, and a preliminary report released in September slammed the banks' culture of greed.

"I think there will be some substantive changes... around strengthening the regulators and increasing the punishments (for misbehaviour)," RMIT University's Warren Staples told AFP.

Australia's conservative government has been cautious in committing to implement the report's recommendations in advance, while the left-leaning opposition Labor Party said it would adopt the suggestions in full.

But with a federal election due by mid-May, the potentially explosive findings and recommendations are broadly expected to be embraced by legislators eager to cash in on the public's anti-bank sentiments.

In the firing line will be the regulators, viewed as being too soft on corporations, and standards in the home lending, financial planning, insurance and pension sectors.

The commission's hearings exposed poor behaviour by financial houses and executives with rules repeatedly breached, personal gains prioritised over clients' interests and loans given to customers who could not repay them.

These sectors are expected to be reined in through tighter standards such as increased penalties for misconduct and greater oversight of behaviour.

The recommendations could go as far as banning certain types of sales practices and removing underperforming pension funds.

Regulators the Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC) are tipped to be given more powers to chase wrongdoers, while also being subjected to performance reviews.

Shares in the major banks have weakened in recent days ahead of the report's release, but Bell Potter banking analyst TS Lim said investors had priced in any potential bad news.

"I think it's probably going to be a limited response... my belief is that they will increase the fines or penalties for companies that engage in misconduct," Lim told AFP.

"I think there shouldn't be too many new laws coming in."

With the royal commission coming a decade after the global financial crisis, where rampant misbehaviour by senior banking executives went unchecked and mostly unpunished, Staples said the inquiry needed to go further and clamp down on a key root cause — performance-based pay.

"These banks have been wildly profitable... and I think a lot of the executives and staff within the banks have probably got used to over-inflated pay," he said.

"If we don't tackle that issue of performance-based pay and we then go back to rewarding staff primarily financially for their contribution to overall profitability, then I think there's an enormous risk that the whole thing will fail."

Analysts have said possible remuneration recommendations from the report could involve regulating incentives and pay.

Italy is open to Weidmann becoming ECB president

Jens Weidmann, president of the Bundesbank, considered a monetary hawk, was once seen as the frontrunner to succeed Draghi as the euro region's highest central bank official and become the first German in the job. However, he suffered a setback when compatriot Manfred Weber was put forward by the European People's Party as their candidate for European Commission president.

Bloomberg
Frankfurt

Italy is open to Bundesbank head Jens Weidmann succeeding Mario Draghi as president of the European Central Bank, Finance Minister Giovanni Tria said in an interview with newspaper *Welt*.

"I do not want to go that far and say I support these ambitions. But I'm open to them," Tria said. "I am unbiased." The post becomes available in November, after Draghi's term ends.

Weidmann, considered a monetary hawk, was once seen as the frontrunner to succeed Draghi as the euro region's highest central bank official and become the first German in the job. However, he suffered a setback when compatriot German Manfred Weber was put forward by the European People's Party as their candidate for European Commission president.

European Union governments are unlikely to allow Germany to fill two such senior posts, but Weidmann's chances could improve if Weber's bid fails after EU Parliament elections in May. The appointment will be part of complex government horse-trading, focusing on nationality and gender as well as expertise.

Meanwhile, the ECB's watchdog for the region's lenders may be left without its second-in-command this month as the incumbent concludes her time in office before the Governing Council can gather to propose a successor.

"Sabine Lautenschlaeger's five-year term as vice-chair of the Supervisory Board will end as planned in February," the ECB said in a statement by a spokesperson. "She will continue her eight-year term as member of the Executive Board."

The move raises the prospect that weeks before a possible disorderly Brexit, the watchdog for the euro region's biggest banks may be led solely by Andrea Enria, who has been in the job of chair of the Single Supervisory Mechanism for only a month.

Lautenschlaeger, 54, claimed on Friday that the ECB feels "well prepared as far as that's possible."

In January, ECB President Mario Draghi acknowledged a delay in agreeing the succession, saying "no I'm sorry, not yet," when asked about the matter.

The Governing Council was previously scheduled to hold a non-monetary policy meeting next week, which is now no longer planned. That means it isn't currently slated to gather formally before February 20 — nine days after Lautenschlaeger's term concludes. Any meeting prior to that date might have to be ad hoc, perhaps by conference call.

Lautenschlaeger had repeatedly told colleagues she was unwilling to stay on in a temporary capacity, people with knowledge of the matter said in January.

Without the option of keeping her, Draghi should choose a vice chair from among the other members of his Executive Board, two of whom are due to quit later this year.

Only vice-president Luis de Guindos, Spain's former finance minister and a one-time executive at Lehman Brothers Holdings Inc, would have a long-enough term remaining to serve the full five years required by the role.

Nissan cancels investment plan for UK plant

AFP
London

Japanese car manufacturer Nissan announced yesterday it was cancelling plans to build its X-Trail SUV at its plant in northeast England despite Brexit assurances from the government.

"While we have taken this decision for business reasons, the continued uncertainty around the UK's future relationship with the EU is not helping companies like ours to plan for the future," Nissan Europe chairman Gianluca de Ficchy said in a statement.

"We appreciate this will be disappointing for our UK team and partners," he added."Our workforce in Sunderland has our full confidence."

The car giant announced in 2016 that it planned to build the model at its plant in Sunderland, but will now assemble it instead at Nissan's global production hub in Kyushu, Japan.

"Other future models planned for Nissan Sunderland Plant — the next-generation Juke and Qashqai — are unaffected" by the decision, according to the statement.

The company said it had decided to shift investment away from the British plant, and towards developing vehicle technology.

"A model like X-Trail is manufactured in multiple locations globally, and can therefore be re-evaluated based on changes to the business environment," explained Hideyuki Sakamoto, Nissan's executive vice president for manufacturing and supply chain management.

Local MP Bridget Phillipson, tweeted that the reports "represent deeply troubling news for the north east economy — So many jobs and livelihoods depend on Nissan's success."

The car giant is a major employer in the region, a former industrial powerhouse that has suffered decades of economic decline, and which voted heavily in favour of Brexit.

Labour MP Julie Elliott said Brexit had played an "inevitable role" in the decision, adding: "none of it is conducive to encouraging business investment in this country". Nissan employs almost 7,000 people at the Sunderland plant — its largest in Europe — which has produced cars since 1986.

Current production includes the LEAF electric car, which reached production of 46,989 units last year.

Danske bankers needn't fear smaller bonuses amid Estonia scandal

Bloomberg
Copenhagen

Danske Bank A/S may be facing billions of dollars in fines for its Estonian laundering scandal, but its employees don't need to worry about having their bonuses cut.

Jesper Nielsen, who's been running the bank on an interim basis since Thomas Borgen was relieved of his duties as chief executive in October, says there might be some bonus adjustments to reflect weaker markets, but not "a lot of change" beyond that.

"Obviously, if you look at bonus pools in the markets area, they have suffered from the loss in trading income," he said in an interview in Copenhagen.

"If you look at the overall bonus levels for staff, they are obviously also impacted by the overall results of the bank, but are at the same level," he said. "And the bonus pools into 2019 for staff are at the same level as well."

Denmark's biggest bank is at the centre of what may be one of the world's worst money laundering scandals. It's under criminal investigation by the US Justice Department, with similar probes being conducted in Denmark, Estonia and France.

Danske is suspected of allowing a tiny branch in Estonia to become a European hub for money launderers until as recently as 2015. The bank has itself admitted that much of about $230bn that flowed through the unit was probably illicit in origin.

The case has drawn condemnation from politicians, and prompted thousands of Danske clients to turn their backs on the bank. For its roughly 20,000 employees, the effect has been demoralising and Nielsen says management is working to make sure low morale doesn't become an issue in itself.

Staff members are "challenged over dinner parties and cocktail parties, in terms of standing up for the bank," Nielsen said. "This is a tough time for all staff in Danske Bank."

The narrative inside the bank in Copenhagen is that the misdeeds that took place at a branch in Estonia shouldn't drag down the whole firm. The only former bankers to have been apprehended so far were all based in Estonia, and Danske has taken drastic steps to purge its upper ranks of anyone tainted by the case.

The bank dominates Denmark's financial infrastructure, with total assets equivalent to 1 1/2 times the country's gross domestic product. If Denmark is to have a stable financial industry, Danske can't be allowed to stumble.

Nielsen says that now, everybody at the bank is "doing a fantastic job."

"But obviously it has some sort of influence on the staff's perception of the bank, when you're challenged on your integrity," he said.

The concern is that the Estonian scandal risks leading to a brain drain. For now, Nielsen says he's seen no evidence of that. But the bank is aware of the risks and is monitoring the situation.

"We're very observant on maintaining a solid mood in the company, making sure these numbers don't take off in either certain departments or the bank overall," he said.

Severance payments at Danske rose 50% last year, while total expenses to cover salaries rose 5% to 12.5bn kroner, or about $1.9bn.

Meanwhile, Danske's former CEO Borgen will be paid 15mn kroner through September this year, after getting 12.7mn kroner in 2018. The 54-year-old waived his right to 7.2mn kroner in incentive pay, "in view of the exceptional circumstances," the bank said.

One German industry is digging itself a hole with Europe

Bloomberg
London

For Germany, phasing out coal will be a very expensive affair and its approach might already be annoying other members of the European Union, who were enjoying record levels of revenue from selling carbon allowances.

Utilities from RWE AG to Uniper SE will seek compensation to shut down lignite and hard-coal plants before the end of their lives, while the states where they're located are demanding tens of billions of compensation. And in a triple whammy, the nation may also lose more than €5.2bn ($6bn) in cancelled carbon permit-sales as demand from those plants will decline.

That's the estimate of Jahn Olsen, an analyst in London at Bloomberg NEF, and based on prices that tripled last year. The actual size of the loss will depend on how Germany interprets new European Commission rules governing the market from 2021 and the nation's willingness to shore up a trading system that's only just starting to make a real impact on emissions.

While Germany has said it will cancel allowances to protect the carbon market, it hasn't provided any details. Since the nation almost a week ago flagged some of its draft plans for closing coal plants through 2038, carbon permits are headed for their worst week since September — as traders anticipate lower demand in the future.

The new rules say that member states can withdraw certificates to bolster prices and limit damage to the market from overlapping climate measures. That's after a decade of slumping prices that did little to encourage utilities to switch to cleaner behaviour.

The emission permits slumped partly because Germany spent billions of euros subsidising solar and wind generation, which reduced the need for the carbon allowances.

Under the new regulations, Germany could reduce its sold carbon allowances by 197mn tonnes over the 10 years to 2030, cutting government revenue by the €5.2bn figure at forecast prices, according to Olsen.

Germany's coal commission said in a report this week that it backs "exploitation of this possibility" on a scale that's equal to the reduction in emissions from the plants that will shut. Exactly which stations that will be decommissioned and when will be negotiated between the utilities and the government.

The nation could also decide to cut that carbon volume reduction by about half because a portion of the coal power will be replaced with cleaner-burning natural gas plants that still need some allowances, Olsen said. There's also a possibility that Germany may decide against reducing its carbon sales volumes – since the cancellation plan is voluntary.

What the German government decides will be crucial for the emissions market, the world's biggest by traded volume.

"If they don't cancel allowances, they'll just drive the price lower and achieve the same result — less revenue," said Matthew Gray, an analyst at Carbon Tracker Initiative, which provides analysis on the energy transition. Under such a decision, "the lower revenue would be felt across the EU member states instead of just Germany."

Pressure on Germany to nullify permits will likely be intense, especially from European nations that collectively raked in a record €15bn last year from carbon allowances. Companies that rely on the sale of clean power will also want to see the emission rights cancelled because a higher cost of carbon benefits them.

Fortum OYJ, which owns almost half of the German utility Uniper, "strongly supports" the coal commission's recommendation to cancel carbon allowances, said chief executive Pekka Lundmark.

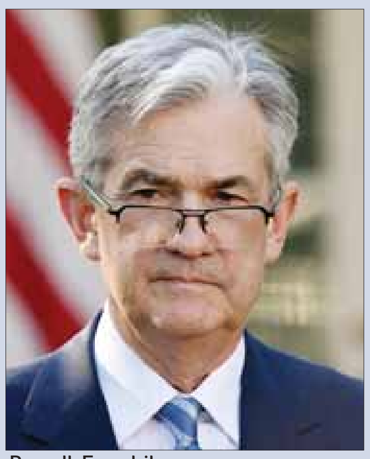
The coal phase-out is already looking super costly for Germany in a number of ways, with workers and utilities holding out for compensation and assistance. While German states were seeking 60bn euros to manage the process, the coal commission recommended that part of the bill would be at least 40bn euros.

Whether Germany gives up the carbon revenue on top of all that is a "really tough question," said Carlos Perez-Linkenheil, an analyst at Berlin-based Energy Brainpool GmbH. While the country will be tempted to limit cancellations, it will also want to protect the EU carbon market and show the world how a coal-dependent economy can transition for the sake of the climate.

"This will be fascinating to watch."

Powell marks one year on the job as Federal Reserve turns dovish

Bloomberg
London


Powell: Four hikes.

Jerome Powell this week marks his first year as chairman as the Federal Reserve under pressure to deliver on the commitment of his opening day to explain "what we are doing and why we are doing it."
Powell hosts a town hall meeting with educators in Washington on Wednesday, a day after he celebrates his anniversary. He does so after a year which witnessed four interest rate hikes and numerous tweets from President Donald Trump.
It ended with policy makers delighting markets by signalling they may not tighten monetary policy again for a while.
The February 6 appearance — which will be live streamed to the public who will also be able to join the discussion via social media — hands Powell a chance to flesh out his reasoning for the dovish turn amid questions over what necessitated such a dramatic shift.
"Monetary policy makers may have been spooked by economic and financial developments at their first meeting of the year, but the labour market remains on very sound footing," said Carl Riccadonna, chief US Economist at Bloomberg Economics.
"Policy makers will be satisfied to let the data do the heavy lifting, rather than Fed communications, in terms of convincing market participants of the need for further action."
Powell isn't alone in speaking. Loretta Mester of the Cleveland Fed is scheduled for Monday and vice chairmen Randal Quarles and Richard Clarida speak on Wednesday and Thursday respectively. James Bullard of the St Louis Fed has an appearance on Thursday too and Mary Daly of the San Francisco Fed speaks the next day.
Elsewhere, there are monetary policy decisions in the UK, India, Mexico, Australia, Brazil and across eastern Europe. Data delayed by the government shutdown in the US is scheduled to finally be published, while numbers in the euro area will shed more light on how fast its economy is slowing.
Here's our weekly rundown of economic events.
The US: The US will start to see the economic reports delayed by the shutdown. The Census Bureau will post November's trade balance on Thursday, with economists surveyed by Bloomberg projecting the deficit will narrow to $54bn from $55.5bn the prior month. Eyes will also turn to the imbalance with China as the two largest economies continue to negotiate the future of their trade relationship. Those talks are likely to come up in Trump's State of the Union address on Tuesday. The final reading on November factory orders is now scheduled to for release February 4.
Europe, Middle East and Africa: Industrial data from Germany along with services purchasing managers index from Italy and Spain and the final such readings for the region will provide a further glimpse into the health of the euro-area economy after a torrid end to 2018. The European Commission will also release fresh economic predictions.
In the UK, Bank of England Governor Mark Carney will on Thursday present his final set of forecasts before Brexit is due to happen on March 29 although they will be clouded by the unknowns of what that might entail. Iceland, Poland, Serbia, the Czech Republic, Russia and Romania all set rates too although the betting is each will leave them unchanged. Turkish inflation is seen staying around 20.3%.
Asia: A string of interest rate decisions are on the calendar although China will be celebrating its new year. In India, Bloomberg Economics is predicting Governor Shaktikanta Das to cut interest rates by 25 basis points on Thursday and adopt a neutral stance after tightening policy in October.
On Tuesday, the Reserve Bank of Australia is likely to extend its rates pause with inflation still stuck below the bottom of its target range. Thailand and the Philippines are predicted to leave benchmarks on hold. In Japan, a string of data will come on Friday with news on household spending, wages and the current account.
Americas: Venezuela will continue to capture the headlines with pressure mounting on Nicolas Maduro at home and abroad. On Wednesday, Brazil's central bank is expected to keep its key interest rate at a record low of 6.5% in what is likely the last meeting under President Ilan Goldfajn. The next day, Mexican policy makers are set to keep their benchmark at the highest in a decade as they meet for the first time since President Andres Manuel Lopez Obrador's two appointees joined the board. They will have new inflation data which comes out that day. In Canada, consumer confidence data on Monday and the employment report on Friday will signal how soft the economy is.


A view of the Bank of England offices in London. The Monetary Policy Committee, which has said that the UK needs limited and gradual hikes, will vote unanimously to keep interest rates unchanged at 0.75% this week, according to the majority of economists in a Bloomberg survey.

BoE remains boxed in by Brexit as no-deal fears trump wage gains

Bloomberg
London

Bank of England officials are stuck in a Brexit rut, as the UK's increasingly chaotic political backdrop looks set to drown out any talk of higher interest rates.
The Monetary Policy Committee, which has said that the UK needs limited and gradual hikes, will nonetheless vote unanimously to keep interest rates unchanged at 0.75% this week, according to the majority of economists in a Bloomberg survey. Officials will also lower both their growth and inflation forecasts for 2019.
With less than two months until the UK leaves the European Union and no clarity on what form the exit will take, governor Mark Carney's press conference on February 7 will likely be dominated by Brexit. The chances of a no-deal outcome — which the BoE have warned could severely damage the economy — increased last week after Prime Minister Theresa May promised to go back to Brussels to seek concessions from an uncompromising European Union.
"The MPC will remain on hold, primarily as they appear to have little option at this stage given the uncertainty over Brexit," said Cathal Kennedy, an economist at the Royal Bank of Canada.
As well as keeping their hands tied on policy, Brexit is also complicating the BoE's forecasting. The central bank projections are based on an average range of outcomes, and so are likely to need tweaking even if May manages to secure a deal. A chaotic exit, meanwhile, could render them completely obsolete.
Nevertheless, with markets not pricing in any hikes this year and other central banks around the world taking a more cautious approach, the BoE's outlook could still prove a useful messaging tool.
Officials are also due to publish their annual review of the supply side of the economy, which last year saw them cut their prediction for the UK's potential growth to 1.5%, buttressing their arguments that the economy was at risk of overheating.
Next week, any comments on wage growth — currently at the highest in a decade — will be particularly in focus, as some officials become increasingly convinced that domestic inflationary pressures are building.
While HSBC is the only bank in Bloomberg's survey that sees a split as soon as next week, there are signs the policy debate in Threadneedle Street may get more heated as soon as the Brexit outcome becomes clear.
"The Bank of England is stuck in a Brexit bind, but while the chances of policy action at its February meeting are next to zero, we think the BoE is likely to convey a hawkish message. Rate expectations have been clouded by Brexit noise and the central bank will want to prepare investors for the possibility that rates could go up as soon as May," said Bloomberg economists.

Apple apologises for FaceTime bug, says fix due soon

Bloomberg
San Francisco

Apple Inc apologised for a bug that let users of its FaceTime video-chat service listen in on people they contacted even before the person accepted or rejected the call.
The iPhone maker said it has fixed the flaw on its servers and will roll out an update to Apple's iOS operating system next week.
"We sincerely apologise to our customers who were affected and all who were concerned about this security issue," Apple said in a statement released to several media outlets. "We appreciate everyone's patience as we complete this process."
Cupertino, California-based Apple mitigated the problem last on Monday by remotely disabling Group FaceTime, but will need to release the software update for it to work properly again without the bug. Apple said at the time that an update would be available this week.
The bug was a black eye for Apple, which has made privacy and security key selling points for its devices. Earlier this week, Apple temporarily pulled important app-development tools from Google and Facebook after deciding the two companies broke its rules in monitoring users' web traffic.
In an era when technology companies are coming under increasing scrutiny for privacy violations, New York officials seized on Apple's disclosure and said they will investigate the company's failure to warn consumers about the bug and its slow response.
Apple Chief Executive Officer Tim Cook regularly criticises internet companies for tracking people's digital activities for advertising purposes. And yet, Apple takes billions of advertising dollars each year from Google's search business, which is based on harnessing personal data for advertising.
For years, Apple allowed outside app developers to access, store, share, and sell users' contact data, often without the consent of people. Apple quietly closed that loophole last year. Group FaceTime calling was a key feature in last fall's iOS 12 software update, which comes with the latest iPhones and iPads.

Goldman gives Solomon, Blankfein pay packages with 1MDB caveat

Bloomberg
New York

Goldman Sachs Group Inc's top executives now havemns at risk from the firm's 1MDB scandal.
David Solomon received $23mn in compensation for 2018 after taking over as chief executive officer in October while his predecessor Lloyd Blankfein got $20.5mn, the firm said on Friday in a regulatory filing.
Equity awards for both are subject to clawbacks if the results of the 1MDB investigation "would have impacted" the board's pay decisions for any senior executives.
The transfer of power to Solomon has been clouded by the scandal, centring on the firm's work for a Malaysian investment fund that prosecutors say was raided in a historic plunder. Malaysia has filed criminal charges against Goldman, and Singapore is conducting a criminal probe that includes the Wall Street firm. Goldman officials have said for years that the bank raised money for 1MDB without knowing that it would be diverted from the development projects, and that it is cooperating with authorities.
Goldman also said it will defer payouts of long-term cash awards granted in January 2011 to three executives, who have since retired, until more information is available regarding 1MDB.
They are Blankfein and former vice chairmen Michael Sherwood and J Michael Evans, according to a person briefed on the matter. Sherwood was co-head of the firm's international unit and Evans oversaw its emerging-markets business.

Once red-hot smartphone market sees cooler trend

AFP
San Francisco

The smartphone market is down but not out, with high prices and other factors combining to chill what had previously been a red-hot sector.
Fresh surveys show global sales had their worst contraction ever in 2018, and the outlook for 2019 isn't much better.
Still, analysts don't see the sun setting any time soon on the smartphone era, seen as a must-have device for many people around the world.
"They don't have a viable replacement yet," independent Silicon Valley analyst Rob Enderle said of the smartphone.
"There is always the possibility to go to wearables or head-mounted displays, but none of those have emerged as a real threat."
Worldwide handset volumes declined 4.1% in 2018 to a total of 1.4bn units shipped for the full year, according to research firm IDC, which sees a potential for further declines this year Another market tracker, Gartner, said its research suggested some stabilisation in the smartphone market at the end of last year, said analyst Werner Goertz.
"Mobile phones are here to stay," Goertz said, while suggesting that consumers may be waiting for some devices with new features.
"Foldable phones would represent a really nice disruptive feature," he said.
Analysts pointed out that other tech products such as personal computers have seen similar ebbs and flows.
"Markets will always have slow moments when companies have to spend more on marketing money to get people to go out and buy stuff," Enderle said.
He added that some consumers are holding off on replacing their devices amid price hikes for premium devices like Apple's iPhone.
During a recent earnings call, Apple chief executive Tim Cook agreed that people were holding onto their iPhones longer.
Cook contended that another reason for slower iPhone sales was that telecom carriers were cutting subsidies of handsets tied to service contracts, meaning customers were faced with paying full price of $1,000 or more for high-end models.
"People don't want to spend another thousand bucks to replace something that isn't broken," analyst Enderle maintained.
"In emerging markets you can't get people to pay a quarter of their monthly income for a phone; they are not giving up food for texting."
In an unusual move, Apple lowered prices in some emerging markets to offset the effects of a strong US dollar on local pocketbooks.
Cook said that in January, in some locations and for some products, Apple "absorbed part of the foreign currency move" to "get close or perhaps right on" prices in those respective markets a year ago.
"So yes, I do think that price is a factor," Cook said.
Nonetheless, the latest data suggests the days of red-hot smartphone growth are over and that sluggish growth or contraction is likely in many saturated markets.
Apple recently reported a rare drop in revenue in the fourth quarter South Korea's Samsung, the largest smartphone maker, reported a slump in fourth-quarter net profits, blaming a drop in demand for its key products.
"Globally the smartphone market is a mess right now," said IDC analyst Ryan Reith.
"Outside of a handful of high-growth markets like India, Indonesia, (South) Korea and Vietnam, we did not see a lot of positive activity in 2018."
Reith noted that along with consumers waiting longer to replace their phones and frustration around the high cost of premium devices, there was political and economic uncertainty. The Chinese market, which accounts for roughly 30% of smartphone sales, was especially hard hit with a 10% drop, according to IDC's survey.
However, Chinese smartphone makers such as Huawei, Oppo, and Xiaomi defied the trend and ended the year with gains, according to Counterpoint Research.
This year, smartphone makers will likely entice customers to upgrade devices with innovations such as superfast 5G network connectivity and foldable screens, according to Counterpoint associate director Tarun Pathak.
Leading smartphone maker Samsung is expected to show off a smartphone with a foldable screen at an event here in February.

SMEs & ENTREPRENEURSHIP OUTLOOK

Key benefits of planning strategically and communicating it

By Yanick Latil

A good fact of life in the region is how sometimes it could be difficult to set an advance meeting and maintain it. In some cases you would not be able to even plan a meeting but to wait until the meeting's day to confirm the time and location. It's a key a value and benefit to live the day as it comes, freely adjusting the week as it moves forward but on a business side it could bring some hick-cups.

Most of small businesses and start-ups have no time to plan (and possibly Corps plan to much…). Few small companies have a budget or a plan to articulate the operations. There are aggressive software development plans, detailed construction project plans, impacting social media plans and much more, but no consolidated view of how to articulate all this activities at a managerial level. Several small companies lack a central document that consolidate the whole plan, which could be in any form: a detailed business plan, powerpoint slide or just in a coffeshop napkind.

The objective is to have a consolidated view of how we will implement all aspects of the company in one place. That will allow us to step back, review the plan, iterate on it, communicate it and get feedback and challenge. But how most of small companies and start-ups are succeeding without a plan? In fact, most of the time there is a plan but is in a place where it gets difficult to work with: in the owners' and entrepreneurs' mind.

The entrepreneur is the engine to implement the business vision but without being able to articulate and document it's plan there is the risk to miss a perspective, to fall in love with its idea not given opportunity for constructive challenge or just to fail for not communicating properly with its partners and team.

A good way could be to structure the plan on a high level or strategically and after based on the maturity of the business to link it with it's operational plans as budget, sales, production, IT and others. Keeping it simple, small business could set their strategic direction by following the Balance Scorecard framework defined by Robert S Kaplan and David P Norton based on a framework of following four elements:

- Financial perspective: What are owners' and investors' expectations? When they are looking to have their money back? What is the expected profitability of the business?. The objective of several business is not necessarily just a financial return but it should be financially sustainable to survive and to give a return to its sponsors to maintain their support.
- Customer perspective: The core and main driver of the business. Without a satisfied customer the business will go nowhere. Before even thinking on the good products or services of the company, we need to seat on the customer side and confirm (or reconfirm) their needs. Without an objective vision of customers' needs and how to satisfy them, the business will have troubles to succeed in the long run. And this goes without saying that those needs are in constant evolution.
- Internal Process perspective: This is the how part. How we will meet customer needs but knowing that this is to be at any price and with limited resources to respect the financial expectations. What is our operational process and how we could improve it?. After understanding customer needs, it's key to know our process and how to implemement the solution to satisfy them.
- Learning & Growth perspective: The engine of any business: It's people. Do we have the right skills to implement the processes and meet customer needs? It's our organisation well staffed and with the right team? How committed and motivated are they? Are we taking actions to develop our team and improve the skills? Are they well-rewarded and aligned to the company objectives?

The plan is just there to set a direction, give you a structure to follow your actions consistently and after to be adjusted based on the achievements and results, learning from what have been done.

Clearly, the idea is not to create an administrative burden on the business and loose it's agility. A good plan is, solid based on the good discussions and analysis it has triggered when defined but also is flexible, owners knowing when to override it following an unexpected strategic opportunity or to tackle external challenges.

A good pilot communicate it's flight route to all but also knows when to change it following unexpected storms or or other events. Do not take off without your flight schedule and if you are already in the air, is never to late to set the map and see where are you heading.

The author is managing partner of Y&S Consulting LLP.

The Group Securities uses Vodafone Qatar's business solutions

Vodafone Qatar and The Group Securities have signed an agreement that sees Qatar's largest brokerage firm use Vodafone's business solutions, including high-speed Corporate Internet and SMS service to guarantee a seamless trading experience for its more than 400,000 investors.

This followed an extensive assessment of Vodafone's technical and commercial capabilities that was put to test during the recent Qatar Aluminum Manufacturing Company (Qamco) initial public offering.

The Group processed thousands of electronic transactions via their mobile and online trading platforms supported by Vodafone's high-quality Internet bandwidths.

Moreover, Vodafone's SMS service allowed The Group to instantly connect with their customers for trading updates.

Vodafone Qatar head of Large Sales Mahday al-Hebabi said: "We're proud to be the telecom partner of choice for The Group and to be supporting their delivery of a seamless trading environment using our world class robust network and solutions.

"At Vodafone, our aim is to be a leading partner in providing intelligent platforms and connectivity solutions for the country's businesses to play our part in Qatar's further progress and prosperity."

THE GROUP
المجموعة
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The new agreement with Vodafone Qatar facilitates the country's largest brokerage firm to deliver a seamless trading experience.

Vodafone Qatar is working on creating a strong digital ecosystem by providing key businesses in the country with its world-class solutions. Last month, the company unveiled GigaNet — the network of the future — Vodafone's promise to customers and to the country to pioneer the latest technologies and innovations.

Qatar, Angola sign air transport agreement

Qatar and Angola yesterday signed an air transport agreement that primarily facilitates national carrier Qatar Airways to expand into that country. The agreement was signed by HE the Minister of Transport and Communications Jassim Seif Ahmed al-Sulaiti and Angolan Minister of Transport Ricardo de Abreu. "The agreement comes within the framework of connecting the State of Qatar with more air services agreements, permitting its national carrier to expand its destinations all around the world," Ministry of Transport and Communications said in a statement. Following the signing ceremony, the two ministers discussed the bilateral relations between the friendly countries in transportation and aviation and means of further enhancing them. The meeting also tackled potential investment opportunities in these fields. The meeting was attended by HE Akbar al-Baker, Group chief executive, Qatar Airways; and Abdulla bin Nasser Turki al-Subaey, chairman, Civil Aviation Authority (CAA).

Aamal is third entity to announce a stock split

By Santhosh V Perumal
Business Reporter

Aamal Company, one of the most diversified conglomerates in Qatar, is considering a stock split, whereby each share will be subdivided into 10 shares, a move that ought to make the scrips attractive to retail investors and enhance liquidity.

The stock split will split each share with a nominal value of QR10 into 10 shares, each with a nominal value of QR1, thereby increasing Aamal's total number of shares from 630mn to 6.3bn, but leaving the total paid-up capital unchanged at QR6.3bn.

Aamal shall undertake implementing the necessary legal amendments to its constitutional documents in accordance with the relevant rules and regulations governing listed companies to comply with the directive of the Qatar Financial Market Authority (QFMA). The date of stock split will be announced soon.

"This market-wide initiative is to make trading in QSE-listed shares more accessible and attractive to retail investors, and to improve liquidity and trading volumes on the Qatar Stock Exchange," the company said in regulatory filing to the bourse.

Once Aamal's shares begin trading on a split-adjusted basis the number of shares owned by each shareholder will be adjusted automatically by multiplying the current holding of each shareholder by 10.

Shareholders do not need to take any action because of the stock split, which will not affect the company's market capitalisation or the proportionate ownership of existing shareholders, the spokesman said.

Aamal Company is the third entity to announce stock split. Late last month, QNB, the country's largest lender, had proposed 1:10 stock and Qatar Insurance last year disclosed such a step.

The proposed Aamal stock split will have to get approval through an extraordinary general assembly meeting, for which the legal quorum is the attendance of at least three-fourth of the shareholders.

Aamal's move is expected not only to attract small investors in a big way, thereby increasing the liquidity of the stock, but also prompt international and large investors to invest more in its equity, thereby improving the price and valuation of the stock further.

The Article 152 of the new Commercial Companies Act No 11 of 2015 allows the nominal value of the share to be between QR1and QR100.

The empirical studies in corporate finance indicate that the stock split is positive and indicates positive future performance, market sources said.

"The proposed move will have an impact on the minds of average investors, who otherwise are waiting in the fringes," an analyst with a leading bank brokerage house said about the stock splits so far announced on the local bourse.

"The stock split will gauge the right intrinsic value as more float will help market forces to determine true price," an analyst with a leading investment firm said.

Stock split will see shares with lower face value but total market capitalisation of the stock post-split remains the same.

The move (by QFMA to allow stock split) also comes in the wake of two exchange traded funds (sponsored by Doha Bank and Masraf Al Rayan), which have been well received by the investors.

QSE retreats despite more than 53% of constituents extending their gains

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday opened the week weak to retreat below 10,700 levels despite more than 53% of the constituents extending gains.

Insurance, transport and banking counters witnessed higher than average selling pressure, which led the 20-stock Qatar Index settle 0.29% lower at 10,689.17 points.

Foreign institutions' net buying substantially weakened in the market, whose sensitive index is up 3.79% year-to-date.

Market capitalisation was down QR62mn or 0.1% to QR615.24bn mainly owing to large and small cap segments.

Islamic equities however gained vis-à-vis declines in the other indices on the market, where domestic and Gulf institutions however turned bullish.

Trade turnover and volumes were on the decline on the bourse, where industrials and banking sectors together accounted for about 55% of the total volume.

The Total Return Index fell 0.29% to 18,833.14 points and All Share Index by 0.02% to 3,423.65 points, while Al Rayan Islamic Index (Price) was up 0.04% to 2,506.36 points.

The insurance index declined 2.09%, transport (0.66%), banks and financial institutions (0.56%) and consumer goods (0.18%); while real estate gained 1.93%, industrials (0.27%) and telecom (0.13%).

Major losers included QNB, Nakilat, Qatar General and Reinsurance, Qatar Insurance, Qatar Electricity and Water, Qatar Islamic Bank and Qatar First Bank; whereas more than 53% of the stocks extended gains which included Ahlibank Qatar, Dlala, Industries Qatar, Ezdan, Mazaya Qatar, Salam International Investment, Islamic Holding Group, Al Khaleej Takaful and Qatari German Company for Medical Devices.

Domestic funds turned net buyers to the tune of QR8.19mn against net sellers of QR17.09mn the previous trading day

Non-Qatari institutions' net buying fell significantly to QR15.68mn compared to QR113.74mn on January 31.

However, domestic funds turned net buyers to the tune of QR8.19mn against net sellers of QR17.09mn the previous trading day.

The Gulf institutions were also net buyers to the extent of QR5.76mn compared with net sellers of QR3.52mn last Thursday.

Non-Qatari individuals turned net buyers to the tune of QR1.9mn against net profit takers of QR1.3mn on January 31.

Local individuals' net selling weakened influentially to QR28.74mn compared to QR87.45mn the previous trading day.

The Gulf individual investors' net profit booking declined noticeably to QR2.8mn against QR4.34mn last Thursday.

Total trade volume fell 41% to 5.6mn shares, value by 53% to QR148.35mn and transactions by 47% to 3,305.

The real estate sector's trade volume plummeted 67% to 0.88mn equities, value by 72% to QR12.89mn and deals by 70% to 411.

The telecom sector reported 60% plunge in trade volume to 0.71mn stocks, 67% in value to QR8.18mn and 70% in transactions to 228.

The banks and financial services sector's trade volume tanked 46% to 1.33mn shares, value by 71% to QR45.56mn and deals by 58% to 635.

There was 43% shrinkage in the insurance sector's trade volume to 0.08mn equities, 49% in value to QR2.76mn and 55% in transactions to 78.

The industrials sector's trade volume was down 7% to 1.74mn stocks, value by 48% to QR26.7mn and deals by 18% to 1,580.

However, the transport sector saw 47% surge in trade volume to 0.56mn shares and 39% in value to QR13.53mn but on 38% decline in transactions to 138.

The consumer goods sector's trade volume expanded 11% to 0.31mn equities and value by 74% to QR37.73mn, while deals shrank 38% to 235.

In the debt market, there was no trading of treasury bills and sovereign bonds.